South Africa
Reforms born of economic crisis
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Finance ministers readjust convergence plans
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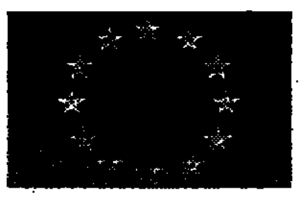

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Clinton's programme
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FINANCIAL TIMES

Europe's Business Newspaper | WEDNESDAY FEBRUARY 17 1993 | D8523A

Opec deal to cut output by 1.4m barrels a day

Ministers from the Organisation of Petroleum Exporting Countries said they had agreed to cut oil output by around 1.4m barrels of oil per day in an attempt to rescue weak petroleum prices. Current output is estimated near 25 million bpd.

The deal, which came after four days of bargaining, also brought Kuwait back into the group's system of production quotas, from which the emirate had been exempt as it rebuilt from the 1991 Gulf War. Earlier story, Page 20

Thomson Corporation, Canadian-controlled publishing and travel group, is selling or closing about one-seventh of its paid-circulation titles in North America and cutting back its UK free newspaper business. Page 13

Parts for Iran seized: British customs agents have seized thousands of fighter aircraft parts ordered by Iran, the magazine Flight International reported. It said several British businessmen were being interviewed and more than one was expected to be charged. The Customs and Excise Department refused to confirm that an investigation was under way.

Jamaica gears up for general election

Jamaica's political parties have started campaigning for a general election, even though the date of the poll has not yet been announced by prime minister P.J. Patterson (left). The election is due within a year, but is expected to be called early. Page 3

BA down 80%: Pre-tax profits at British Airways fell 80 per cent to £20m in the third quarter compared with the same period last year, mainly because of sterling's depreciation. Page 13; Lex, Page 12

Salvation Army in court action: The Salvation Army launched a High Court action in London to recover $8.8m it believes was stolen from its accounts in a fraud. Page 6

Hanson profits boosted: First-quarter pre-tax profits at Anglo-US conglomerate Hanson rose to £236m ($335m) from £226m. The figure was boosted by a £20m disposal profit and currency movement. Underlying profits fell 10 per cent. Page 13; Lex, Page 12

South Africa order worth £200m: Davy International, part of UK engineering-to-hotels group Trafalgar House, has won a £200m ($284m) contract to supply a complete stainless steel rolling mill to South Africa. Page 5

Steelmaker faces loss: Japanese steelmaker Kawasaki Steel said it was heading for a consolidated loss this year because of difficulties with its US joint-venture, Armco Steel. Page 16; EC split over protection, Page 12

Japan's surplus reaches $5.3bn: Japan's trade surplus rose by 39.4 per cent to $5.3bn last month – well above expectations – due mainly to a 6.4 per cent fall in the value of imports. Page 4; Japanese companies cut product ranges, Page 12

Diesel engines link: Cummins Engine of the US and Japanese construction equipment group, Komatsu are to build a co-operative business relationship in diesel engines. Page 15

Benetton sales up: Italy's Benetton clothing group will report a 10 per cent rise in 1992 sales when its results are published next month. Page 15

Skandia skips dividend: Swedish insurance group Skandia is suspending its dividend for the first time after a fall in its net asset value for the third successive year. The company blamed a sharp fall in the value of its Swedish and foreign real estate portfolios. Page 13

CGIP seeks higher stake: French holding company CGIP is considering raising its stake in packaging company CarnaudMetalbox by buying shares from UK building products group MB-Caradon. Page 13

Immigration crackdown: Interior ministers from 35 European countries are to crack down on illegal immigration from east to west which is fuelling violence in Germany and elsewhere. Page 12; Editorial Comment, Page 11

Eurofighter talks: Confidential talks are to be held this week between Britain and Germany to try to resolve a funding crisis in the four-nation Eurofighter 2000 aircraft project. Page 12

STOCK MARKET INDICES

FT-SE 100:	2,812.2	(-33.7)
Yield	4.38	
FT-SE Eurotrack 100	1,123.14	(-9.83)
FT-A All-Share	1,373.41	(-1.0%)
Nikkei	16,916.32	(-201.67)
New York: lunchtime		
Dow Jones Ind Ave	3,311.11	(-81.32)
S&P Composite	434.81	(-10.57)

US LUNCHTIME RATES

Federal Funds:	3⅞%
3-mo Treas Bills: Yld	2.961%
Long Bond	99¾
Yield	7.122%

LONDON MONEY

3-mo Interbank	6¼%	(6⅞%)
Liffe long gilt future:	Mar 103⅛	(Mar 102¾)

NORTH SEA OIL (Argus)

Brent 15-day (Apr)	$18.11	(17.955)

Gold

New York Comex (Feb)	$333.8	(329.6)
London	$331.85	(328.45)

STERLING

New York lunchtime:		
$	1.4485	
London:		
$	1.4475	(1.418)
DM	2.3625	(2.3525)
FFr	8.0	(7.955)
SFr	2.18	(2.185)
Y	173.25	(171.5)
£ Index	78.9	(78.1)

DOLLAR

New York lunchtime:		
DM	1.62935	
FFr	5.5285	
SFr	1.503	
Y	119.7	
London:		
DM	1.6315	(1.6625)
FFr	5.5275	(5.6225)
SFr	1.5085	(1.5405)
Y	119.65	(120.8)
$ Index	66.4	(67.0)
Tokyo close Y 120.62		

Austria	Sch30	Greece	Dr300	Lux	LFr60	Qatar	QR12.00		
Bahrain	Din1.250	Hungary	Ft162	Malta	Lm0.60	S.Arabia	SR11		
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10		
Bulgaria	Lw25.00	India	Rs40	Neth	Fl 3.75	Slovak Rp	Kcs45		
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Spain	Pta200		
Czech Rp	Kcs45	Israel	Shk5.90	Norway	NKr16.00	Sweden	SKr15		
Denmark	DKr15	Italy	L2700	Oman	OR1.50	Switz	SFr3.20		
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Syria	S£50.00		
Finland	FM12	Korea	Won 2500	Philippines	Pso45	Thailand	Bht50		
France	FFr8.50	Kuwait	Fils.600	Poland	Zl 22,000	Tunisia	Din1.250		
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es215	Turkey	L7000	UAE	Dh11.00

Bond markets react positively on hopes of reduced budget deficit

US investors take fright at Clinton's tax plans

Bill Clinton (right) discusses his economic package with House speaker Thomas Foley yesterday

By George Graham in Washington and Patrick Harverson in New York

US STOCK markets fell sharply yesterday as investors took fright at US president Bill Clinton's plans to raise taxes on a far broader range of taxpayers than expected.

The Dow Jones Industrial Average fell more than 75 points in the first 90 minutes of business in heavy selling, triggering New York Stock Exchange rules that limit computerised trading. The restrictions failed to stem the selling and in early afternoon trading the Dow was down 81.33 at 3,311.10.

In contrast the bond markets welcomed Mr Clinton's tough talk on deficit reduction. Mr Clinton said yesterday that businesses would be better off because his plans for reducing the budget deficit would yield lower, more stable long-term interest rates. "The bond market's a better indicator, and that response has been very positive," he said.

After weeks of floating one idea after another, Mr Clinton warned Americans in a televised speech on Monday night that he had been unable to find any way to deal with the growing US federal budget deficit without raising taxes on the middle class.

He promised that 70 per cent of the new taxes he will propose in a detailed address to Congress tonight would be paid by those earning more than $100,000 a year.

A White House spokesman added yesterday that people making less than $30,000 were very unlikely to suffer any increase in taxation, while those earning between $30,000 and $100,000 would face "modest increases across the board."

However, it appeared certain that higher income tax rates, which Mr Clinton promised during his campaign would be limited to the top 2 per cent of taxpayers, will be levied on much lower incomes.

A new top income tax rate of 36 per cent may be imposed on incomes above $175,000, while a so-called "millionaire's surtax" could be extended to incomes of $250,000, in effect creating a top marginal tax rate of around 40 per cent.

White House officials also confirmed that they are considering a second round of tax increases, possibly affecting tobacco, alcohol, guns or insurance premiums, to pay for the expected $30bn to $90bn cost of extending medical coverage to all in a reform of the health system Mr Clinton will propose later this year.

Republicans have launched an all-out assault on Mr Clinton's economic programme, saying that he will simply raise taxes without undertaking any serious attempt to reduce the deficit by curbing government spending.

Analysts said shares fell sharply because investors were worried that higher corporate and personal taxes, coupled with spending cuts, might hinder the economic recovery. The selling also reflected disappointment that the Clinton fiscal stimulus package will probably not be as big as the markets had hoped.

Selling Clinton's plan to the US, Page 3
Lex, Page 12
Wall Street report, Back Page, Section II
London stocks, Page 21
Government bonds, Page 17

Yeltsin in truce talks with rival over crisis

By John Lloyd in Moscow

RUSSIAN president Boris Yelstin and his arch political rival Mr Ruslan Khasbulatov, the speaker of the Supreme Soviet, appeared to have temporarily set aside their struggle for individual supremacy last night as they agreed on a plan to resolve the country's constitutional crisis.

The two men, after a mere half hour's talks in the Kremlin, agreed to call a special session of the Congress of People's Deputies to ratify a "constitutional agreement" which will be thrashed out over the next 10 days by teams appointed by the two men.

The agreement signifies that both have decided to abandon their personal battle of attrition. Instead, opposing experts will haggle over the form of constitutional government in Russia – the fundamental question between Mr Yeltsin and Mr Khasbulatov.

However, the brief statements issued by the presidential press office and the official Itar Tass agency after the early evening meeting raise more questions than they answer, and leave the result of the increasingly bitter struggle over how Russia is governed still in balance.

The presidential statement said that a range of proposals aimed at getting agreement between the executive and legislature on the constitutional system and on alleviating the economic crisis would be published today. These will include a draft of Mr Yeltsin's own version of the constitution.

Over the next 10 days, a joint commission of experts headed by Mr Vladimir Shumeiko, the first deputy prime minister, and Mr Nikolai Ryabov, the first deputy speaker, will attempt to get an agreement on a draft constitution to be presented to the special Congress in early March.

However, the statement from the president's press office stressed that until the Congress ratified this putative agreement, the government would continue to prepare for a referendum on the constitution, scheduled for April 11 under a prior agreement between Mr Yeltsin and Mr Khasbulatov made during the seventh Congress in December. At the

Continued on Page 12

EC business confidence falls to low ebb

By Our Foreign Staff

BUSINESS confidence across the European Community dropped last year to its lowest level since the deep recession of the early 1980s, a European Commission survey published yesterday shows.

A picture of continuing economic gloom emerged from capitals across Europe at the same time as the Commission survey revealed scant prospects for early recovery.

The Commission's leading economic indicator, which combines calculations for output and confidence, dropped from 96.3 in November to 96.1 in December, equal to its previous low in October 1982.

In Paris, a Bank of France survey showed output falling and stocks rising in most sectors last month and depressed demand throughout the business sector. Cars and consumer goods were the worst affected sectors.

French exports also slowed and orders were down, reflecting economic instability in Germany and increased competition from other European countries because of the comparative strength of the franc.

Some companies put off investment programmes and, although employment was stable in trade and services, it fell in construction and manufacturing.

The Bank of England, in its first quarterly report on inflation, gave the UK government a thinly veiled warning that a further cut in interest rates in present conditions would jeopardise its target of keeping underlying inflation below 4 per cent.

While the UK economy is still bumping along the bottom of the recession, the Bank finds that underlying inflation is too high for comfort. The Bank expects UK unemployment will continue to rise for some months and urges wage restraint to prevent further heavy job losses. It has seen few signs so far of recovery in demand and output.

Meanwhile UK manufacturing output fell in each of the last two quarters of last year, while output of all production industries, including manufacturing, energy and water, dropped in 1992 for the third year running – the first time that this has happened since the early 1930s.

Official figures released in Rome yesterday showed a further decline in industrial output, hitting Italy's industrial heartland worst. Output declined 0.6 per cent last year although the full extent of the decline was masked by three extra working days compared to 1991. The drop in production began to accelerate after last summer and in December was 2 per cent down against the same period the previous year, according to figures released yesterday by Istat, the national statistics institute.

The worst affected sectors were the automotive industry and engineering, down 11.1 per cent and 7.9 per cent. Unions said 145,000 jobs were at risk in the northern industrial region.

Spanish jobless; Finnish economy, Page 2
UK inflation, Page 6

China's agreement on HK talks seen as tactical move

By Simon Holberton in Hong Kong

BRITAIN and China are expected to announce this week that they will hold talks on Hong Kong's future political development.

At a meeting of Hong Kong governor Chris Patten's Executive Council yesterday, his top advisory body agreed to defer temporarily the introduction of a bill in the Legislative Council (Legco), the colony's lawmaking institution. The bill would give effect to Mr Patten's plans for broadening the democratic franchise in elections due next year and in 1995.

It is unlikely, however, that the talks herald a change in China's opposition to Mr Patten's plans. Beijing's overture was seen in Hong Kong as an attempt by China to slow down the process of Legco ratification.

The negotiations about talks have been conducted in Beijing by Sir Robin McLaren, Britain's ambassador, and senior Chinese government officials. The two sides are still working out the details – Sir Robin was called to an unscheduled meeting yesterday with a senior Chinese leader.

It was unclear last night what the scope and duration of the talks would be. Barring last-minute hitches, they are expected to be announced by Friday. Mr Patten's legislation is not expected to be discussed.

Beijing's decision to request talks has placed Mr Patten and the British government in a difficult position. Mr Patten, who has called for dialogue with China since he announced his proposals last October, could face a strong backlash in Hong Kong if he refused to talk.

However, few in the Hong Kong administration believe that China's eleventh-hour agreement to talks is anything but a tactical manoeuvre to prevent Mr Patten's legislation from being introduced into Legco. Government officials are determined not to get ensnared in talks such as bedevil the colony's attempt to build a modern airport.

The governor has been receiving conflicting advice as to whether he should introduce legislation while talks are in progress or wait until they finish.

Britain's Foreign Office was strongly of the view that presenting the bill to Legco while talks were under way would be unacceptable to China. Some of Mr Patten's advisers were arguing for the bill's introduction while talks were taking place.

Deferral of the bill would be likely to draw stiff criticism from Hong Kong's pro-democracy politicians. Mr Martin Lee, leader of the United Democrats, said that while he welcomed the prospect of talks he saw no reason why Mr Patten should delay the bill's introduction into Legco.

Mr Lee said Mr Patten had set the limits for the colony's future electoral arrangement when he said last year they should be open, fair and acceptable to the people of Hong Kong. He doubted if China would agree to a law which enshrined those principles.

However, deferral of the legislation would probably be welcomed by Hong Kong's conservative politicians. Mr Allen Lee's Co-operative Resources Centre, a grouping of conservative politicians, has argued that Legco should only debate political proposals agreed by China and Britain.

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Italian corruption probe spreads

By Robert Graham in Rome

TWO undersecretaries in Italy's Budget and Interior ministries were warned yesterday that they were under investigation for alleged corruption.

The most prominent, Mr Claudio Lenoci, a Socialist at the Interior Ministry, is being investigated by Rome magistrates concerning the misuse of the Italian overseas aid programmes.

Mr Lenoci, a parliamentary deputy since 1979, was previously in charge of the overseas aid programme at the foreign ministry.

The other undersecretary is Mr Vito Bonsignore, a prominent Christian Democrat deputy from Turin. He is under investigation over a hospital contract in the Turin area. He issued a statement yesterday declaring his willingness to co-operate and denying any wrongdoing.

The Turin magistrates' move follows the arrest of two senior politicians in the regional administration.

In other developments in Italy's ever widening corruption scandals, Milan magistrates leaked details of their interrogation in a Swiss jail of Mr Florio Fiorini, the former finance director of ENI, the state oil concern. Mr Fiorini, who is charged with fraudulent bankruptcy, is alleged to have told the Italian magistrates ENI paid an annual L1.2bn ($773,500) to the main political parties throughout the 1970s.

From 1970 to 1980, Mr Fiorini is said to have claimed that ENI paid L40m a month to both the Christian Democrats and Socialists, with a further L10m to each of the small Social Democrats and Republican parties.

The ENI money, he alleged, derived from foreign exchange operation profits and had not affected ENI's finances. These payments stopped in March 1981 following exposure of the P2 secret masonic Lodge.

Potentially more damaging in the Fiorini testimony were allegations that ENI and other entities channelled funds to the Socialist party via a bank account in Lugano. Until now, Milan magistrates have only indicated they were examining this account, in the name of Mr Silvano Larini, a Milan architect, arrested 10 days ago, for two transfers totalling $7m from the late head of Banco Ambrosiano, Mr Roberto Calvi. The transfers were allegedly made to compensate $50m worth of loans provided by ENI to the troubled bank.

Both Mr Bettino Craxi, who stepped down from the Socialist leadership last week, and Mr Claudio Martelli, who resigned the Justice portfolio, have been issued with warrants that they are under investigation concerning the illicit use of this account in the fraudulent bankruptcy of Ambrosiano. Mr Craxi was also told yesterday he was under investigation for alleged corruption concerning Milan municipal energy authority. Mr Craxi has consistently denied any wrongdoing.

Europe keeps on tortuous path towards Emu

Lionel Barber on the latest finance ministers' meeting, "a kind of intellectual warming-up exercise for monetary union"

THE meeting on Monday of European Community finance ministers in Brussels began innocuously enough. First a two-hour TV debate on the European economy, enlivened only by Irish complaints about the Community's failure to prevent the devaluation of the punt; and then the usual retreat behind closed doors.

What followed remains open to interpretation. By some accounts, the decisions adopted reveal the first public signs that the Maastricht treaty's timetable for European Monetary Union was slipping. Others inside the European Commission argue that nothing has changed. Some Emu enthusiasts even suggest that an early push for monetary union is now more likely than ever.

The debate centres on the significance of the finance ministers' decision to accept the European Commission's request to prolong member states' existing economic "convergence" programmes to 1996 and to set common standards for measuring these economic performance targets. Convergence programmes are the rigorous action plans which aim to reduce inflation, budget deficits and government debt so that member states economies' "converge" and qualify as members of a future Emu club.

Paradoxically, these convergence plans began as an Italian initiative with no direct relationship to the Emu project. Italy wanted to use Brussels-approved targets as an external political discipline to justify unpopular economic belt-tightening at home. Seven EC members followed, each presenting differing, often contradictory, programmes with varying timetables (see table). "It was all very haphazard," says a senior EC official, "a kind of intellectual warming-up exercise for monetary union."

To be eligible for Emu, a country has under the Maastricht provisions to cut its government budget deficit to no more than 3 per cent of annual economic output and government debt to no more than 60 per cent of annual output – or at least persuade fellow member states it has a realistic chance of meeting these conditions in future.

Emu enthusiasts argue that extending convergence programmes to 1996 is important since it gives Germany an extra year to cope with the huge costs of unification. Germany is in the embarrassing position of not meeting Emu performance targets for inflation or budget deficits – though it could reasonably expect to do so after the medium-term tax package planned to begin in 1995. One EC official said: "Without Germany, there is no Emu."

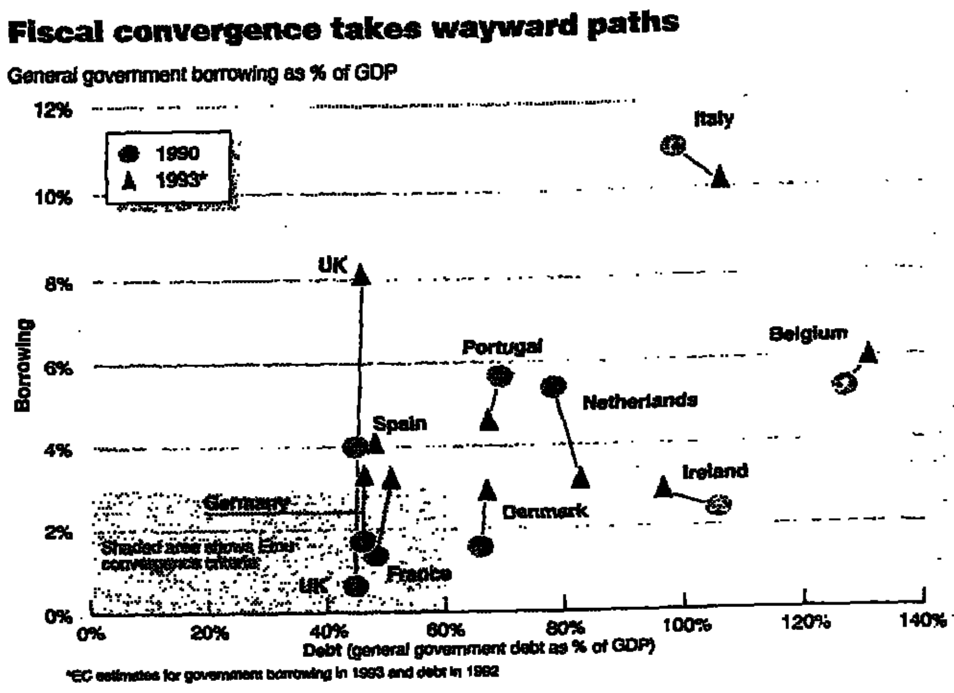
Emu sceptics believe extension of the convergence programme to 1996 and beyond is a smokescreen, obscuring the fact that a deeper-than-expected recession means that the convergence criteria are no longer realistic. At Monday's meeting, there were clear signs of unrest as finance ministers wrestled with two conflicting aims: the need to pursue deflationary convergence programmes as well as to fight unemployment and head off what one senior Italian diplomat described as the risk of people rioting in the streets.

Fears that the price of monetary union may be too high are not new. Mr Jacques Delors, Commission President, has long argued that member states needed to compensate for the deflationary drive to convergence with EC co-ordinated growth and greater consideration of employment. The EC's monetary committee – comprising senior Treasury civil servants in the EC – is now considering how to take greater account of lower-than-expected growth in measuring convergence. Senior EC officials are admanant this does not imply either a weakening of the Maastricht convergence criteria or a "stretch-out" of the timetable for Emu.

Even the most hardened Emu supporters acknowledge an element of bluff. The convergence programmes are voluntary. Convergence criteria under the treaty allow an element of discretion. As one EC economist notes, it suits no-one to utter these truths, because to do so would encourage backsliding among weaker members and arouse a backlash in Germany which has insisted on strict performance targets as the price for giving up the D-Mark.

In the end, judgment on which countries are Emu candidates will be political. The importance of this Monday's skirmish in Brussels was that it signalled the start of a wider battle on conditions for Emu membership.

Fiscal convergence takes wayward paths



Confusion 'reigns in Bundeswehr'

By Quentin Peel in Bonn

DEMORALISATION and confusion, bordering on "open mutiny", reign in Germany's armed forces, because of repeated budget cuts and open divisions within the government, according an extraordinary public letter to members of the Bundestag.

The letter, from the principal personnel committee representing all civilian and military personnel in the Defence Ministry and the Bundeswehr, spells out for the first time the disillusion in the ranks over drastic cuts in both personnel and spending ordered since German unification in 1990.

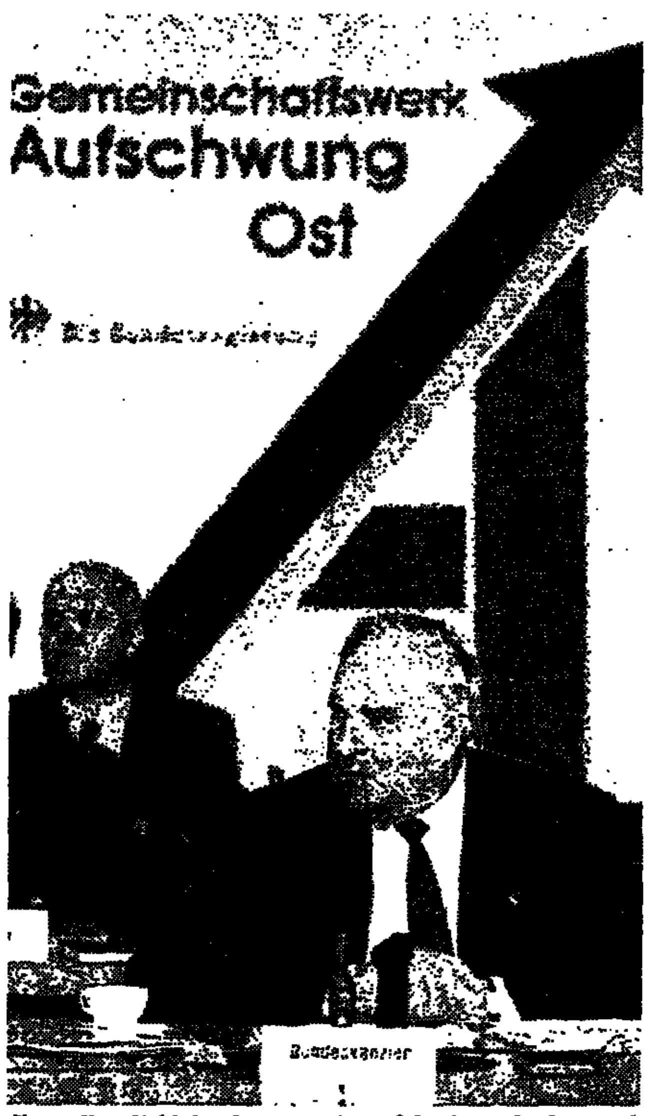
It charges the government with "chaotic military planning", describing the latest order for a new review of troop strengths and equipment cuts as demonstrating "unprecedented lack of perspective and unbelievable confusion" at the highest level.

The letter appears to criticise both Chancellor Helmut Kohl, who ordered the latest round of extra defence cuts, and Mr Volker Rühe, defence minister, fighting to protect his budget from new inroads, after initially agreeing to substantial savings. The two erstwhile close allies are clearly at loggerheads over the defence budget cuts, where savings in the current year totalling DM863m ($520m) have suddenly been ordered to help finance the Chancellor's proposed "solidarity pact" for east Germany.

The letter, described by defence experts as unheard of in the Bundeswehr's history, says the mood in the ranks, and among civilian personnel, "ranges from open mutiny to sullen resignation because of the latest developments".

Bundeswehr members want to "know where they stand," the authors say, because the whole process of garrison closures, and apparently "aimless reorganisations and transfers" have made it impossible for defence personnel to plan their lives and careers. The latest cuts ordered by Chancellor Kohl, and a review of troop numbers below the present target of 370,000 by 1995 (against 440,000 today), along with a review of the duration of conscription, appear to have been the last straw.

The letter says that garrison cuts ordered by Mr Rühe last week were forced on him, making further changes in military planning at short notice. If Mr Kohl has his way, "there will be another round of decisions in the foreseeable future, on the structure and size of the Bundeswehr, with further consequences for civilian employees and soldiers".



Chancellor Kohl heads a meeting of business leaders and ministers to discuss the rebuilding of east Germany's economy

German groups to double purchases from the east

By Quentin Peel in Bonn and Judy Dempsey in Berlin

MORE than 30 of Germany's top companies agreed yesterday to double their purchases of goods from the former East Germany by 1995, in a new move to revive the collapsed economy.

The "purchasing offensive" was announced by Mr Carl Hahn, supervisory board chairman of Volkswagen, in the name of the Federation of German Industry (BDI), and is backed by all the country's main motor manufacturers, as well as by the biggest retail and mail-order chains.

It amounts to a new attempt by the business sector to bolster Chancellor Helmut Kohl's efforts to negotiate a "solidarity pact" for east Germany, at a time when parallel efforts to agree on wage restraint are running into difficulty.

Official arbitration in the state of Saxony between IG Metall, the giant engineering workers' union, and east German employers, in an effort to agree on a slowdown in the process of wage equalisation with west Germany, broke down on Monday night.

Union officials said arbitration will continue in the other four east German states, but the chances of compromise appear slim. The employers are

IG METALL, Germany's powerful steel and engineering trade union, yesterday called on the European Commission to ensure that the restructuring of the European steel industry would not be left to individual producers eager to close down competitors, writes Ariane Genillard.

seeking to renegotiate a 26 per cent wage rise due to be paid on April 1, to bring the eastern engineering workers up to 82 per cent of western wages, although most of their industries are facing imminent closure.

Chancellor Kohl told a meeting of leaders of both sides of industry in Bonn that agreement in the wage talks remained a key element in efforts to revive the eastern economy, but he insisted that the partners in the wage talks must reach an agreement independently.

He persuaded the parties in his ruling coalition yesterday to pay civil servants a 3 per cent rise this year – the same as that agreed for blue collar public sector workers – but to delay it until May 1, as their contribution to the solidarity pact.

At the same time the coalition partners rejected a plan proposed by the opposition Social Democrats for a 10 per cent tax surcharge on the better paid to be levied from July 1. They agreed, nonetheless, to negotiate with the opposition on possible compromises.

Mr Kohl is anxious to demonstrate that his planned solidarity pact is more than simply a package of budget cuts in the west, and modest spending increases in the east. To that end the business sector initiative is another helpful boost.

Mr Hahn said that current purchases from the east totalled just DM24bn ($14.5bn), against eastern purchases from the west running at DM174bn. The aim was to raise western purchases to DM50bn by 1995, he said.

At the same time he warned that east German manufacturers had to make major improvements in the quality and quantity of their output, and this depended on wage rises in the east slowing down to the rate of productivity growth.

Gesamtmetall, the engineering employers' organisation, yesterday said it was prepared to offer a maximum 9 per cent rise to its east German employees, in view of the fact that productivity levels are about 30 per cent below west German levels.

"Nine per cent is all we can afford," said a spokesman.

Czech Republic prepares to alter bankruptcy law

By Patrick Blum in Prague

THE CZECH government is preparing to revise the country's bankruptcy law to protect companies facing serious financial difficulties. Unamended, the existing law could force hundreds of companies out of business.

The law was approved by the former Czechoslovak parliament last year, and ministers are expected to discuss draft amendments today. The government wants the revised law in place by April 20, when current provisions expire, Mr Karel Dyba, minister for the economy, said in an interview with the Financial Times.

The need to amend the law is highlighted by a recent spate of calls by large companies for urgent financial help from the government.

Many companies are locked in a circle of bad debt caused by unpaid bills from customers. Some of the biggest Czech companies whose main markets were in the former Soviet Union and other communist countries have been particularly badly hit by the collapse of these markets. They cannot pay their bills to suppliers who threaten to cut off essential supplies.

Officials fear that many other companies could be affected if major companies, which have called on the government for urgent financial help, are allowed to go bankrupt.

"We want to avoid a chain reaction, but a little more pressure on a non-paying company is needed. It's a question of how big a dose of medicine needs to be given," Mr Dyba said.

He rejected suggestions that thousands of companies are near bankruptcy.

"That's rubbish. Nobody has the data. People talk about inter-enterprise debt as too high, but it's quite normal in a market economy. One should not worry too much about its increase. The real problem is bad debts of some enterprises to banks. That's what we must solve."

The government wants the law to allow out-of-court settlements. "The [revised] law will force interested parties to act and give them time to reach out-of-court settlements."

The courts were overburdened with thousands of bad debt cases, and had neither the capacity nor the ability to solve all these problems, he said.

The revised law may allow companies initially to pay back only part of their debt. The government wants the National Property Fund, responsible for privatisations and a big shareholder in many companies, and the Consolidation Bank, set up to deal with state-owned companies' bad debts, to help by taking equity in companies threatened by bankruptcy or by providing finance.

The government may intervene directly if there was a clear company commitment to resolve its financial situation. "But there will be no bailing-out without guarantees," said Mr Dyba, adding that the government's role would be that of a catalyst.

Government intervention would be limited to at most 12 big companies.

A solution would have to involve "sharing the burden among workers, managers, owners or would-be owners, the banks and the government."

Finnish economic outlook gloomy

By Christopher Brown-Humes in Stockholm

RISING unemployment, increasing foreign debt and lower private consumption will characterise the Finnish economy in 1993, according to the Finance Ministry's economic overview released yesterday.

The ministry predicted that gross domestic product will be flat this year, overturning a forecast of 2 per cent growth which it made last October. However, it expects the economy to grow by 3 per cent next year thanks to an export-led recovery. Last year GDP fell 3.5 per cent after a 6.4 per cent fall in 1991.

Private consumption will fall 4 per cent in 1993 and unemployment will peak at 450,000, or some 20 per cent of the workforce, the ministry said. Despite increasing pressure for measures to stimulate the economy, it warned: "Unemployment cannot be markedly reduced by expansionary policies based on an increase in public debt."

Foreign debt is predicted to rise to FM250bn ($42bn), with net interest payments on it amounting to FM27bn this year.

The state's borrowing requirement for the year is put at almost FM80bn, or nearly 50 per cent of GDP, compared with just 16.5 per cent at the end of 1991.

Exports are predicted to rise by 11 per cent this year, after increasing 9 per cent last year. The banking sector's combined credit losses will be about FM20bn this year compared with about FM21bn in 1992, the ministry report said.

The number of bankruptcies will stay very high, the forecast said.

Spanish jobless up to 3.05m

By Peter Bruce in Madrid

THE SPANISH government has been shaken by an official survey showing that unemployment reached a record 3.05m people at the end of 1992, with nearly half a million jobs lost during the year. The report said the jobless rate seemed to be quickening.

The figures put Spanish unemployment at 20.06 per cent, the highest in the European Community, and will fuel a simmering row in Spain over whether the EC president, Mr Jacques Delors, was correct to warn recently that Spanish unemployment could put a brake on the country's progress towards economic and monetary union.

Mr Carlos Solchaga, finance minister, said the national statistics institute survey's results were "saddening and surprising".

The figures catch Prime Minister Felipe Gonzalez's socialist government at one of its worst moments in more than 10 years in office. An election has to be held by the end of November and polls show the socialists losing support to both the Left and Right, with incipient divisions in the party out in the open.

Krajina Serbs urged to drop calls for independence from Croatia

UN, EC push for autonomy solution

By Robert Mauthner in New York

UNITED NATIONS and European Community mediators have advised representatives of the Krajina Serbs to drop demands for independence from Croatia if they want to reach a durable peace settlement with Croatia at talks which began at the UN yesterday.

Instead, the mediators are pushing for a solution under which the Krajina Serbs, like the Albanian majority in Kosovo, would be given a large measure of autonomy within Croatia, in the first case, and Serbia in the second.

There could be no question of a change in national borders unless they were agreed by all parties involved, a conference spokesman said.

Krajina Serbs, represented by Mr Goran Hadzic and Mr Mile Paspalj, respectively self-styled president of the assembly and foreign minister, began the presentation of their case to Mr Cyrus Vance and Lord David Owen yesterday before Croatian representatives join the negotiations tonight or on Thursday.

The international mediators, already heavily involved in the search for a solution of the Bosnian conflict, have been asked by Mr Boutros Boutros Ghali, the UN secretary-general, also to broker an agreement between the Croats and the Krajina Serbs as a basis for a long-term renewal of the UN protection force's mandate in Croatia.

Pending such an agreement, Mr Boutros Ghali has proposed a interim extension of the Unprofor mandate, due to expire on February 21, until March 31.

In a report on the renewal of the mandate, published last week, Mr Boutros Ghali indicated that the failure to implement the original UN peacekeeping plan of January 2, 1992, and to negotiate a settlement of the conflict between Croatia and the Serb populations living in UN protected areas and Serb-controlled so-called "pink zones," were at the root of the problem. They were among the main causes of the recent Croat offensive in Krajina.

No early agreement is expected in the talks, which are due to go on for several weeks.

The UN relief operation in Bosnia yesterday remained deadlocked over the Serb blockade of besieged Moslem enclaves, writes Laura Silber in Belgrade.

For the third day, Serb commanders refused to allow the passage of emergency aid across Serb lines to Cerska, a Moslem stronghold in eastern Bosnia.

The British government condemned the Bosnian Serbs for their continued blockade and called on Serbian President Slobodan Milosevic to exert pressure on them to allow the free passage of aid.

In a sharply worded protest, British diplomats in Belgrade, the Serbian capital, reminded Mr Milosevic of his pledges to let aid through to Moslem enclaves.

The UN yesterday accused the Bosnian government of playing political games with their boycott as warehouses reached full capacity in Sarajevo.

French leaders deny Adidas tie

By Alice Rawsthorn in Paris

THE French government yesterday officially denied it had influenced the decision of three state-controlled financial groups to buy shares in Adidas, the German sportswear group, from a company controlled by Mr Bernard Tapie, the controversial minister of urban affairs.

The Finance Ministry said in a formal statement that the government had "no knowledge" of the decision by Crédit Lyonnais, one of France's biggest banks, and Union des Assurances de Paris (UAP) and Assurances Générales de France (AGF), the insurance groups, to participate in the consortium which on Monday bought Mr Tapie's controlling stake in Adidas.

This denial followed calls for an official inquiry into the deal from the conservative opposition, which is favourite to win next month's legislative elections. It comes as the French socialist government's relationship with state-controlled companies is under the spotlight.

Last month a similar furore broke out after Elf-Sanofi, subsidiary of Elf Aquitaine, the state-controlled oil group, bought Yves Saint-Laurent, the French fashion house chaired by Mr Pierre Bergé, a friend of President Mitterrand.

Opposition politicians, who promised to privatise many of France's state-controlled companies including Crédit Lyonnais, AGF and UAP in their election manifesto, also demanded an investigation into the YSL transaction.

Despite the Finance Ministry's insistence yesterday about the independence of state-controlled companies, the close links between the government and some public sector companies was highlighted last week when Elf Aquitaine was ordered to abandon plans to close a unit at Boussens in south-west France.

The proposed closure would involve transferring 480 jobs from Boussens, a socialist stronghold, to Elf plants in other parts of France when the socialists are under attack because of the steep rise in unemployment.

● The French Justice Ministry yesterday forbade a judge from investigating the circumstances in which Mr Pierre Bérégovoy, French prime minister, received a FFr1m ($178,000) interest-free loan in 1989 from Mr Roger-Patrice Pelat, the now-deceased financier. The ministry said there was no evidence to suggest the loan had been fraudulent.

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Clinton hard sell aims to soften nation

The White House has been preparing the ground for unpalatable policies, writes Jurek Martin

IT CANNOT be said that his country is unprepared for what President Bill Clinton has to say tonight in his televised State of the Union address to a joint session of both houses of Congress. Indeed, there has been no advance marketing of a speech quite like it for the last 12 years.

Just as President Ronald Reagan and his advisers prepared the ground for his proposals on February 19 1981 to cut taxes and government spending, so has Mr Clinton. Just about everybody who works for the president has followed a similar script, especially now that extraneous issues, such as the search for a new attorney-general and the debate over gays in the military, no longer compete for attention.

The only difference, and it may be crucial, was that Mr Reagan was offering the sort of medicine most people like to take, while Mr Clinton will try to force some less palatable prescriptions down the nation's throat.

Nevertheless, on national television on Monday night Mr Clinton told the country that to support what he would propose – to bear some of the pain today in order to enjoy a better tomorrow and to frustrate the evil designs of special interests – was nothing less than "patriotism". It could have been vintage Reagan, coming from the mouth of a man who looked a third of the old gunslinger's age.

President Bill Clinton and Vice-President Al Gore meet Democratic members of Congress as part of a campaign to promote less spending and more taxes

The address, Saturday's radio broadcast and last week's televised town meeting and the haranguing of and exhortation to business leaders constitute the populist side of the selling of the programme. Later this week the president and his Cabinet will fan out across the country to drive home the message.

But there has been some tough selling in Washington too. Hardly a day has passed without congressional delegations having their ears bent by the president, his wife, and his staff or without members of the Cabinet pontificating on television.

Policy kites on Medicare for the elderly, social security and other taxes have been flown around Washington as if every day was windy. Some have seemed aerodynamically unsound but others have probably been sent aloft deliberately to be shot down and thus make alternatives more attractive.

Equally, to show he is capable of leading from the front and to drive home the cause of "shared sacrifice", Mr Clinton has announced a 25 per cent cut in his White House staff and an extensive programme to eliminate government waste.

The president's strategic approach is clear. He knows he must deal with Congress, and that the Democratic majority in the legislature does not guarantee obedience. Thus he will seek to create his own political relationship with the country-at-large.

His early problems in Washington notwithstanding, there remains plenty of polling and anecdotal evidence that the country wants Mr Clinton to succeed. Having elected him into office because of the state of the economy and the size of the federal budget deficit and national debt, it is looking forward to him putting his presidential money where his candidate mouth was.

The big change since last November is in the growing evidence of economic recovery which, in turn, has led many economists and the markets to conclude that the stimulus elements in Mr Clinton's proposals ought to be toned down.

However, true to his campaign promises and partly reflecting a conviction that even in recovery the economy is still not creating enough jobs, there is likely to be about $30bn (£21.1bn) in additional public works spending and investment tax credits. This will be offset by generally higher taxes on incomes and on commodities such as energy, and by additional cuts in government spending.

This approach lends itself to easy criticism from Republicans. Mr Robert Dole, their leader in the Senate, has already dismissed the Clinton package as yet another variation on traditional "tax and spend" Democratic policies. But the Republican ability to frustrate the president may be more apparent than real, if for no other reason than that the party cannot be seen as perpetuating Washington "gridlock".

Other special interests in the Washington power structure may work their wills more deviously, but more effectively, on integral parts of the new proposals as the legislative battle unfolds.

Pre-emptively, Mr Clinton warned on Monday night that "within minutes of the time I conclude my address to Congress the special interests will be out in force... many have already lined the corridors of Congress with high-priced lobbyists."

What he did not say, naturally enough, is that not every lobbyist is a chartered member of the "Gucci gulch" club representing only corporate and trade interests. Many work for those constituencies – the poor, the elderly, and the family farmers – which voted for Mr Clinton but which could suffer from any serious budgetary cuts.

Having raised the rhetorical stakes so high and having painted apocalyptic visions of the future if problems are ducked, it is also up to Mr Clinton to deliver proposals that not only can be sold but are credible and tough.

The suspicion still exists, mostly in Washington, that this is a president whose analytical abilities are greater than his determination to proceed with the unpopular. Tonight he is going to tell the middle classes, to whom he promised lower taxes last year, that they will have to pay more. Making it stick will not be popular.

Twelve years ago Mr Reagan made the reverse pitch and in the end won much of what he wanted, partly because the consensus for the change he advocated was there and partly because the opposition faded into insignificance after the president was wounded in an assassination attempt.

There are differences today – in the relative performance of the economy and in the lack of real national consensus about what should be done. Still, on Monday night Mr Clinton again sounded like Mr Reagan when he said his approach was "just common sense". But then he added: "In the 26 days I've been your president I've already learned that here in Washington common sense just isn't too common."

Mideast visit starts tomorrow

Christopher plays down peace hopes

By Roger Matthews, Middle East Editor

US SECRETARY of state, Mr Warren Christopher, yesterday sought to damp down expectations of a breakthrough in the Middle East peace process during his first visit to the region beginning tomorrow.

He said that he did not expect early agreement on a date for resumption of peace negotiations which have been suspended since the middle of December.

Instead, he wanted to get "some sense" of how the talks were viewed by regional leaders in the hope that a date for the ninth round of talks could be fixed fairly soon after his return to Washington.

Mr Christopher will travel first to Egypt then to Jordan, Syria, Saudi Arabia, Kuwait and Israel.

Meanwhile, a spokesman for the Palestine Liberation Organisation repeated yesterday that it would not resume negotiations with Israel until the fate of nearly 400 Palestinians expelled to southern Lebanon had been satisfactorily resolved.

"We cannot participate in the peace talks even if the other Arab states are willing to," Mr Yassir Abed-Rabbo, the PLO's information director, told Reuters.

He said Palestinian leaders in the occupied territories would tell Mr Christopher that they insisted Israel should immediately take back the Palestinian activists as demanded by UN resolution 799 before they would rejoin the peace talks.

Israel agreed a compromise formula with the US last week allowing for 100 of the Palestinians to return immediately to the occupied territories in order to head off the threat of UN sanctions and to encourage Arab delegations to draw a line under the episode. However, it is doubtful whether Syria, Jordan or Lebanon will resume negotiations without the Palestinians.

President Bill Clinton said in a statement yesterday that his decision to send Mr Christopher to the region was an indication of the priority the administration was giving to the Middle East. He warned of the dangers that this "historic opportunity could all too easily slip away".

Question-time call for president divides House

ANY proposal to have President Bill Clinton appear before the US House of Representatives to answer questions in the British parliamentary tradition would require further study, US congressional leaders said yesterday, Reuters reports from Washington.

House Speaker Thomas Foley told reporters there would be no invitation for such an appearance this week following Mr Clinton's address to a joint session of Congress on the economy tonight.

The idea was suggested by Mr Richard Gephardt of Missouri, House majority leader, who said Mr Clinton should visit the House and answer questions about his economic programme.

But Mr Foley said the unprecedented step was an idea for the future that "requires further study and analysis". He said Mr Gephardt concurred with this position.

The White House has said Mr Clinton was considering the idea.

Ex-Soviet Union grain debts to US mount

By Laurie Morse in Chicago

RUSSIA'S mounting defaults on its US agricultural loans are promising to add to the cost of US farm subsidy programmes and make them a more visible target for the Clinton administration's effort to cut the budget deficit.

The states of the former Soviet Union, including Russia, have piled up defaults of $305.5m (£215m) on US-government guaranteed grain loans, having stopped paying interest in late November, the Department of Agriculture said yesterday.

With little sign of movement in multilateral debt negotiations, the payment gap could widen to $4.2bn, the total in short-term grain and foodstuffs loans the US Department of Agriculture has extend to CIS countries.

To date, most banks writing the guaranteed loans have been willing to carry the defaults on their books, hoping debt restructuring would bring full payment. Only one, Banque Indosuez, has filed claims with the department to recover lost interest payments on Russian grain loans.

The amount, $354,000, is tiny compared to outstanding defaults and, because not all of the interest was guaranteed, the department has paid out only $187,000 to the bank.

However, with US farm subsidy payments promising to top $17.1bn in fiscal 1993, double the 1992 outlay and the highest seen by Washington in several years, Russia's loan problems will only add to the farm-support debate. Lawmakers from urban areas argue that farm subsidies have grown as farm population has fallen, propping up the income of a rural élite.

Jackson urges action on Haiti and Aids

CIVIL rights activist the Rev Jesse Jackson yesterday urged President Bill Clinton to end the crisis over Aids-infected Haitians quarantined at a US Navy base, Reuter reports from Washington.

Mr Jackson is on hunger strike in sympathy with 267 Haitians infected with the HIV virus that causes Aids who are quarantined at the US naval base at Guantánamo Bay, Cuba.

"Mr Clinton's policy on Haiti is a sound one – restore democracy, return (exiled Haitian President Jean Bertrand) Aristide, but delaying becomes denial," Mr Jackson said.

"There must be a sense of urgency about restoring democracy because if you restore democracy quickly then you end the crisis around Guantánamo Bay and the embargo (against Haiti) and the blockade, as well as the mass exodus" from Haiti, he said on US television.

Mr Jackson said he would continue his hunger strike for at least this week and might try to enlist more hunger strikers unless there is action on the Haitian situation.

"It's a kind of leprosy island, and there they are desperate, they're in the dark and they're dying," he said.

He called on Clinton to address the Haiti situation in his speech tonight before a joint session of Congress.

Mr Clinton has said he wants to lift the immigration prohibitions preventing people with Aids from entering the US, but has taken no action.

Overall, Clinton has in effect adopted former President George Bush's policy on Haiti to return fleeing Haitians to their island homeland but he has sent emissaries there to try to restore democracy.

Jamaican campaign starts early

Canute James reports on indications that there may be a snap election

JAMAICA'S political parties have started campaigning for a general election, even though the date of the poll has not yet been announced by Mr P J Patterson, the prime minister.

The election is constitutionally due within a year, but Mr Patterson is widely expected to call an early vote in the next eight weeks.

The prime minister, who took office a year ago after the resignation of Mr Michael Manley because of poor health, is thought to be keen to get his own popular mandate. However, pressure on him to call an early election is also being determined by developments which suggest that his People's National Party has a better than even chance of being returned for a second consecutive term.

Opinion polls have shown that after a mid-term slump, the PNP's electoral support has again surpassed that of the opposition Jamaica Labour Party. Mr Patterson's decision is also being influenced by the internal problems of the JLP where Mr Edward Seaga, the party leader, has been at odds with some of his lieutenants over the past two years.

The government's political stock has also been improved by an appearance of stability

Patterson: better than evens

in the economy over the past ten months, after depreciation of the currency and billowing inflation which followed the deregulation of the foreign exchange market and the floating of the Jamaican dollar.

Inflation for the first nine months of the current fiscal year was 17.9 per cent, against 73.1 per cent for the similar period of the last fiscal year.

Although he has not confirmed the reports that he is planning an early election in the Caribbean island of 2.3m people, Mr Patterson has indicated his intentions in moves which are expected to lift the ruling party's popular support.

The income tax rate was cut last month from 33 per cent to 25 per cent, and import duties on motor vehicles were significantly reduced. The government has also announced several road building projects costing millions of dollars, with work on many of these starting immediately.

The signs have not been lost on the JLP which, like the ruling party, has been completing its slate of candidates. So convinced is Mr Seaga that Mr Patterson will call a snap election that the opposition leader has announced that his party's campaign will start next week. This has been proceeded by well publicised walkabouts by Mr Seaga and the dissidents who had rebelled against his leadership of the JLP, including Mr Pearnel Charles, a former deputy leader.

The big issue in the campaign will be the government's handling of the economy, particularly its decision to deregulate extensively, giving greater play to market forces while divesting several state-owned economic enterprises. The JLP has raised questions about aspects of the government's economic policies, claiming that it has gone overboard in its enthusiasm for market forces, and has pointed to what it says is the absence of any significant new investments which the government said its economic policies would encourage.

The expansion of the economy which the government had expected has been constrained by the poor performance of the bauxite mining and refining industry because of a weak international market for aluminium. Official figures on the performance of the economy last year are yet to be published, but government economists have said the growth in the economy was "moderate".

Export agriculture – sugar and bananas – improved slightly, and the main contribution came from strong growth in tourism, now the main earner of foreign currency.

There are already indications of party political violence, which has become a part of Jamaica's election campaigns. In the last election in 1989, both parties made much of a publicly signed compact against political violence, and the campaign was less violent than expected.

Already, however, the parties have exchanged accusations over responsibility for a spate of shootings in one of the poorer sections of Kingston, the capital.

S Africa power sharing deal in balance

By Patti Waldmeir in Johannesburg

TWO key meetings this week could determine the fate of the recent power-sharing deal between the South African government and the African National Congress.

The ANC's policy-making national executive committee is meeting to decide whether to ratify the deal, and government is due to open talks with the mainly Zulu Inkatha Freedom party today to try to sell power-sharing to the country's third largest political group.

Both meetings are likely to prove difficult, and could delay installation of a multiracial interim government, or prevent it altogether.

ANC negotiators were confident that they could persuade the organisation's national executive to formalise an outline agreement reached with the ruling National party last week, calling for power-sharing until the end of the century. The national executive, which began its meeting yesterday, is due to take its decision by tomorrow night.

The executive is also expected to consider calling for the lifting of sanctions against South Africa.

Several of the ANC's regional leaders, including the firebrand Natal leader, Mr Harry Gwala, are known to oppose power-sharing, and many other executive committee members are believed to feel that a five year "sunset clause" before majority rule is too long. Last year the national executive broadly endorsed the principle of power-sharing – though not for the long period now envisaged – but this was accomplished only after a bitter fight between ANC radicals and moderates.

Later today the same power-sharing deal will be debated at a meeting between government and the Inkatha Freedom party of Chief Mangosuthu Buthelezi, who has already sharply condemned the agreement. The two sides are due to meet for three days at a secret venue in northern Zululand. Government negotiators will try to persuade Inkatha that the power-sharing deal would meet its demand for devolution of power to regions. Inkatha, which has a strong regional base in Natal but little support elsewhere, insists that a new constitution provide for strong regional governments.

Natal has been the scene of some of the worst violence between ANC and IFP supporters.

Nearly 8,000 people have died since President F.W de Klerk started to dismantle apartheid three years ago.

Economic reforms, Page 10

Landmark Tower rises amid Japan's property glut

Charles Leadbeater reports on a market haunted by a worsening over-supply of office space

IT ARCS up over the elevated highway that passes along Yokohama's waterfront – 70 stories of pristine post-modernist architecture. The Landmark Tower, the tallest building in Japan, is set amid 70 hectares of reclaimed land and disused docks, criss-crossed by empty new roads and abandoned railway tracks.

The Tower was conceived in the late 1970s, financed during the bubble economy of the late 1980s and it will be finished just in time to join the worst glut of office space Japan has ever seen. When it was started in the late 1980s, the space was three times oversubscribed. With the opening due this summer only 50 per cent of the offices has been rented out.

The glut is increasing every day as long-planned buildings are completed in Tokyo, Osaka and Nagoya, the main cities, and threatens to depress rents and commercial land prices for years to come. The property market will be haunted by an oversupply of office space for at least five years.

The consequences could be devastating for property developers, many of whom have been driven to the verge of bankruptcy by the worst slump in Japan's residential land prices since 1945.

The property companies' troubles means bad debts are likely to continue to flow into Japan's severely weakened banks. The bank's weakness could in turn limit their ability to lend to finance the economy's recovery.

There is some good news for the banks. The residential real estate market is reviving. At the peak in 1987, residential land prices in the three main cities of Tokyo, Osaka and Nagoya rose by 33 per cent, followed by a further 22 per cent rise the following year.

Last year they have fallen by about 15 per cent after a 4.2 per fall last year. In some central Tokyo areas such as Setagaya and Yokohama the fall has been about 59 per cent.

Lower prices have brought houses within reach of first-time buyers with average earnings, prompting a sharp increase in construction work on owner occupied homes, up about 11 per cent in the first nine months of last year year.

Sales of the cheapest condominiums worth Y40m ($332,140) or less are higher than they were in either 1990 or 1991, whereas sales of apartments which are more expensive than this are down. Tokyo's stock of unsold condominiums is six times greater than during the height of the boom in 1987. The Nomura Research Institute estimates this oversupply has reduced prices to a point where there could be a mini-boom in sales of cheaper apartments.

Yet the grounds for optimism are limited. Sales of the most expensive apartments, which were built by speculators, are still sluggish. This unsold stock will hang over the market for years.

Prices outside the main cities are only just starting to fall. The increase in sales of cheaper housing may not help the banks as their vulnerability is to the speculative real estate lending which went into luxury condominiums. Sales in these expensive apartments are likely to remain sluggish for at least a year.

Mr Jun Konomi, NRI's real estate analyst, expects residential land prices will be depressed for at least three years after falling by a further 10 per cent in the next year.

However, the banks' relief that an end to the fall in residential land prices may be in sight will be short lived. Prices in the commercial sector are about to plunge as the centre of Tokyo develops its first ever glut of unsold office space.

The figures are alarming. In the last two years projects amounting to 4,679 hectares of office space were started in Japan, with about 2,300 hectares in Tokyo and Osaka.

Over the next four years about 5.4m square metres of office space is planned within Tokyo alone.

This extra space will be hitting the market just as the main client – the financial services industry – is cutting back on staff to reduce costs.

This oversupply is yet to be reflected in official figures for office rents and commercial land prices because they are based on publicly quoted prices which bear little relation to the deals which tenants and owners do behind closed doors.

Mr Yasu Ohno, Sumitomo Trust's Bank's long-serving real estate analyst, believes unofficial rents are often 40 per cent below published prices.

Mr Konomi at NRI estimates that these lower rents mean commercial land prices in most of central Tokyo should fall by between 30 per cent and 40 per cent after an initial fall of about 7 per cent this year.

Such a slump in the commercial property market can only be extremely worrying for the banks. The 21 top banks reported a 54 per cent increase in non-performing loans to Y12,300bn in the six months to the end of September. That largely reflects the deterioration of the residential property market. The looming slump in the commercial market is certain to sharply increase the banks burden of non-performing and rescheduled loans.

Most of the excess Tokyo office development is within spitting distance of the city's Otemachi financial centre district. It can be little consolation to the banks' senior executives that they will be able to watch one of the reasons for their mounting bad loans build up each day before their very eyes.

JAPAN'S urban farmers have fuelled a sharp rise in house building over the past year by turning their hands to property development, writes Charles Leadbeater.

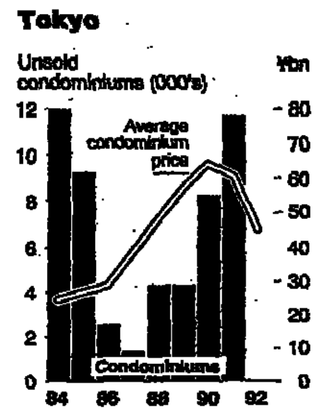
These would-be-property developers are the main force behind last year's 17 per cent increase in apartment building, which is one of the brightest spots in an otherwise depressed economy.

Large swathes of Japan's big cities are still reserved for agriculture, mainly rice paddies and fruit trees. About 13 per cent of Tokyo's land is classified as farmland, worked by about 300,000 families. It is estimated that about 500,000 homes could be built upon this land.

A surge in apartment building in cities over the past year is largely due to urban farmers turning over their land to housing to take advantage of the tax changes of September 1991. These changes affected the capital gains tax on land sold for residential development and lowered the tax exemptions for farmers who promised to farm their land for at least 10 years.

As the farmers want to hold on to their land holdings they have built apartments for rent rather than condominiums for sale. The farmers have been queueing to borrow money from the official Housing Loan Corporation to finance their development plans. At their peak last year loans from the corporation were rising at a rate of about 600 per cent annually.

A report by Credit Suisse securities says there is no sign of land prices bottoming out yet and an additional fall of between 10 per cent and 30 per cent is still possible in big cities.



Trade surplus up 39.4% to $5.3bn last month

By Charles Leadbeater in Tokyo

JAPAN'S trade surplus rose by 39.4 per cent to $5.3bn (£3.7bn) last month, the government announced yesterday, just days after the new US administration called upon Japan to boost domestic demand to increase imports.

The sharp increase in the surplus, which was well above expectations, was mainly due to a 6.4 per cent fall in the value of imports which outweighed a 0.8 per cent risein the value of exports.

The Japanese government's sensitivity over the figures was underlined by a highly political delay in their publication. They had been originally scheduled for publication last Friday, when Mr Michio Watanabe, foreign minister, met senior officials of the Clinton administration in Washington.

The finance ministry blamed the delay on a discrepancy between computer figures from the customs department and findings of the ministry's survey of trading companies.

The rise in the surplus will raise pressure on the ruling Liberal Democratic party to augment the 1993 budget with an emergency package to stimulate the economy.

The sluggish state of both consumption and investment was underlined by figures showing a 6.5 per cent fall in Tokyo department store sales last month compared with January 1992, a 38 per cent drop in industrial machinery orders and a 35 per ent fall in orders received by the top eight manufacturers of machine tools.

Taiwanese visit upsets China

By Robert Thomson in Tokyo

THE Chinese government has complained to Japan over the arrival in Tokyo yesterday of Chien Fu, the first Taiwanese foreign minister to visit in two decades.

Mr Chien has arrived on a tourist visa for a four-day "private" visit, but Beijing has taken his presence as an unwelcome sign of a growing Taiwanese diplomatic profile.

China is concerned that several countries have recently appointed senior diplomats to head unofficial missions in Taipei, the Taiwanese capital, at the same time as the island's independence movement is gathering momentum.

While Mr Chien is not scheduled formally to meet Japanese government officials, he is likely to meet senior officials of the ruling Liberal Democratic party at a parliamentarians' function this evening.

A Japanese government official said China's foreign ministry lodged a protest with the embassy in Beijing, noting that the issuing of any visa to Mr Chien is a *de facto* recognition of his role as foreign minister.

The Nationalist Chinese government in Taiwan still claims to be the legitimate Chinese government, which makes Mr Chien the "Chinese foreign minister".

However, Beijing regards Taiwan as a rebel province and opposes any foreign recognition of the island's government.

"We knew that Mr Chien's visit was a sensitive matter for China, but we have explained to them that this is a private matter and that he is here as a tourist. We are not surprised that they have complained," a foreign ministry official said last night.

The visit by Mr Chien is the first by a Taiwanese foreign minister since 1972, when Japan recognised the government in Beijing and severed links with Taipei.

Instead of an embassy, Taiwan maintains an "Economic and Cultural Representative Office" in Tokyo.

Boutros Ghali asks Miyazawa to send troops to Africa

Japan cool on UN peacekeeping plea

MR Boutros Boutros Ghali, the United Nations secretary-general, yesterday asked Japan to play a bigger part in world peacekeeping, saying this would help counter complaints that the UN was dominated by the US, Reuter reports from Tokyo.

But Prime Minister Kiichi Miyazawa, facing strong domestic opposition to a wider role for the Japanese army, responded cautiously in a meeting with the visiting UN chief.

He said Japan would not hurry to expand its participation in UN peacekeeping activities, which began last year when a contingent went to Cambodia.

Mr Boutros Ghali specifically asked Mr Miyazawa to send troops to Mozambique, after earlier suggesting in a Japanese television interview that it commit troops to Somalia also.

"I think the situation in Mozambique meets your country's condition [for sending troops]," Mr Boutros Ghali told Mr Miyazawa. "There is a solid ceasefire agreement and operations are under way for rehabilitation of refugees."

So far only 100 UN peacekeepers are overseeing the formerly Marxist country's transition to democracy. The force will eventually number more than 7,000. The government and Renamo rebels signed a peace pact last October.

Earlier, Mr Boutros Ghali suggested Japan commit troops to Somalia, where he envisages a new type of peacekeeping operation.

Mr Boutros Ghali has suggested that conventional peacekeeping operations be upgraded to "peace-enforcing operations" which would allow the UN to act without the consent of warring factions.

Mr Boutros Ghali and Mr Miyazawa did not discuss the question of sending Japanese troops to Somalia.

The UN chief said the world body was undergoing a crisis of confidence because some member states have accused it of coming under the sway of a lone superpower.

"That is why we need the participation of countries like Germany, Japan and Brazil in these and other United Nations operations," he said.

Mr Miyazawa said post-war Japan had vowed never again to become a key military power and should not rapidly expand its participation in peacekeeping operations.

Japan's peacekeeping law, enacted last year after 20 months of wrangling in parliament, forbids troops from taking part in United Nations combat duties.

Boutros Ghali (right) with Miyazawa yesterday: plea for help

A TV tale of licence and licensing

Kevin Brown watches the final episodes of a soap opera in the Australian media

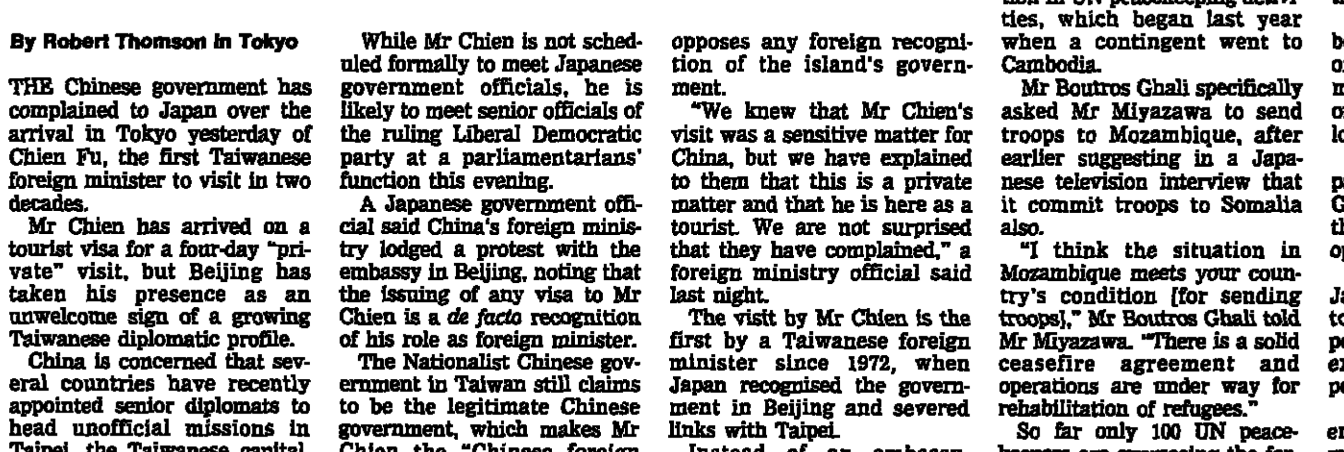
AUSTRALIA'S television moguls are enmeshed in a soap opera more bizarre than anything on the small screen. The plot involves politicians, big business and struggling entrepreneurs. And the final episode, expected shortly, could seriously embarrass the government.

The story began in November, when parliament approved the federal Labor government's plans for the introduction of subscription television services. It provided for two 4-channel commercial licences, and a 2-channel licence for the state-run Australian Broadcasting Corporation (ABC).

As an afterthought, the act also allowed the use of fibre optic cable or multi-point distribution systems by microwave (MDS) technology. "There will be no restriction on the use of other technologies to deliver pay TV, such as cable or microwave," Senator Bob Collins, the communications minister, told parliament. It is not clear whether Mr Collins realised that MDS could compete with satellite services.

But the potential was spotted by some small media entrepreneurs, including Mr Steve Cosser, a former managing director of the Channel Ten commercial network, and Mr Kerry Stokes, a Western Australian publisher. By the end of January, Australis Media, Mr Cosser's private company, had acquired 24 microwave channels in Sydney and Melbourne, and was preparing to bid for a further six in each of Australia's six state capitals.

Australis was also negotiating a partnership with Time Warner, the US publishing group, and Australian Provincial Newspapers (APN), an offshoot of Dr Tony O'Reilly's Irish Independent media group.



Filming an Australian soap opera; the off screen media moves are more intriguing

Mr Cosser's plan was to set up a national subscription service, using microwave channels for local distribution and a satellite to carry the signal between cities. But less than 24 hours before the deadline for the remaining MDS channels, Mr Collins announced that the auction had been abandoned. He also instructed the Australian Broadcasting Authority (ABA), the independent regulatory body, not to issue licences to owners of microwave channels.

Mr Collins said the ban was necessary to prevent "inferior" MDS technology undermining the prospects for satellite transmission. He also claimed to have acted in response to pressure from the ABC. But a leaked letter from Mr David Hill, ABC chairman, shows that the government broadcaster told Mr Collins only three days earlier that it wanted to compete with Mr Cosser in MDS broadcasting.

Nor does the claim that MDS is "inferior" stand up to examination. The technology is in use in more than 20 countries, including in more than 17m homes in the US.

The government's action has attracted almost universal opprobrium. But Mr Cosser has an explanation of why Mr Collins changed tack.

He claims that the government was asked to block MDS by Consolidated Press Holdings (Cons Press), the media group owned by Mr Kerry Packer, Australia's richest man. Mr Packer, who dominates magazine publishing and owns a controlling share in Channel Nine, the top-rating commercial television network, is believed to be planning to bid for one of the two commercial satellite broadcasting licences.

"Kerry made us an offer, basically to get out of the road or get crushed. We rejected that offer," says Mr Cosser. "I believe that Kerry Packer's people and other large media players made representations to the government in the dying days of the tender process, some more forceful than others. But I don't know what was said, threatened or offered that led to such a dramatic policy reversal."

Mr Packer, who rarely speaks even to his own media, has not commented on Mr Cosser's claims. However, it is clear that both Channel Nine and the forthcoming satellite services would have faced serious competition if MDS broadcasting had not been blocked.

In addition, the broadcasting act requires satellite broadcasters to use newly developed digital compression technology, which may not be available until 1996, giving MDS operators two or three years to build market loyalty.

Whatever the reasons for his decision, Mr Collins has succeeded in reviving long-standing criticism of Labor's close relationship with media proprietors such as Mr Packer and Mr Rupert Murdoch, chairman of News Corporation, which controls 70 per cent of daily newspaper circulation.

The decision has also hurt Australia's reputation among foreign investors, already wary following the last minute blocking of a proposed gold mine at Coronation Hill, in the Northern Territory, and the government's frequent policy changes over the sale of the Fairfax newspaper group, eventually acquired by Mr Conrad Black's UK Daily Telegraph group.

However, the biggest blow to the government may be delivered in the courts, where it faces litigation on two fronts.

In Western Australia, Mr Stokes won an interim injunction against the government's decision to stop the sale of MDS channels. The federal court will decide shortly whether the government has the power to stop the auction.

In Sydney, Mr Cosser claims Mr Collins exceeded his authority in directing the ABA not to award MBS licences, and is threatening to sue for damages if the authority refuses his application. The wording of the broadcasting act suggests that he may win if the case goes to court.

Australis has also lodged a complaint with the Trade Practices Commission, the competition watchdog, alleging that the commercial television networks colluded to prevent the company entering the subscription television market. Such collusion would be illegal under Australian competition legislation.

Australian opposition takes big poll lead

By Kevin Brown in Sydney

AUSTRALIA'S conservative opposition took a commanding lead over the ruling Labor party during the first week of campaigning for the federal election on March 13.

According to a Newspoll opinion poll published yesterday in The Australian newspaper, support for the conservative Liberal/National party coalition increased during the week by 3 percentage points to 48 per cent.

Support for the government fell by half a percentage point to 39.5 per cent, giving the coalition a lead of 8.5 points. A swing of 0.9 per cent is needed for a conservative win.

Newspoll said the results suggested the conservative parties would win by 53.5 per cent to 46.5 per cent after the distribution of preferences under Australia's preferential voting system.

This would give the conservatives a majority of around 30 seats in the 147-seat House of Representatives, and make the coalition the largest grouping in the Senate.

Worryingly for the government, 50 per cent of voters said they expected the coalition to win, against 29 per cent who expected a Labor victory. Only 55 per cent of committed Labor supporters expected the government to win.

The poll indicates a less emphatic conservative lead than a poll last week in The Age newspaper in Melbourne, which estimated the coalition lead at 12 points. However, Newspoll has a reputation as an accurate poll.

Judge turns down KIO appeal over $5bn Spanish loss

By Peter Bruce in Madrid

THE KUWAIT Investment Office, the external investment arm of the Kuwaiti government, was dealt a serious blow yesterday by a Spanish judge who turned down a KIO appeal against a decision not to open a criminal investigation into the actions of former KIO managers in Spain.

The KIO's new management has accused its predecessors and some Spanish associates of losing more than $5bn in Spain since 1986 and claims they stole $1bn through Grupo Torras, the KIO holding company in Spain.

Last month Spain's senior judge in economic matters, Mr Miguel Moreiras, refused to allow the KIO to bring criminal charges against Sheikh Fahad al-Sabah, former chairman of the KIO, Mr Fouad Jaffar, former KIO general manager, Mr Javier de la Rosa, who managed the KIO's investments in Spain and five Spanish associates. Judge Moreiras said then the KIO suit contained "no evidence" of criminal wrongdoing.

Judge Moreiras said yesterday the KIO's lawyers had no new evidence and had "not known how to, or not been able to, focus their accusations into any known crime". The high court in Madrid has to approve Judge Moreiras' two rulings in the KIO case so far but it would be a judicial sensation if they were overturned.

The rejection of the appeal will probably encourage the KIO's new management to begin judicial proceedings elsewhere, possibly in London. These managers have been running the KIO for about nine months now, most of which have been taken up with denouncing the KIO's Spanish investment drive.

Until now though, the campaign against the former managers has resulted only in the collapse of the Spanish businesses. In the process, however, Kuwait's finances have been opened to close international scrutiny for the first time and, if the new management is unable to prove its allegations of fraud and conspiracy to steal, some observers believe Kuwait's credibility in world financial markets will suffer.

Judge Moreiras obliquely criticised the KIO and its lawyers for trying to drum up publicity in the Spanish media: "There is no legal way of taking into account the spectacular nature (of the accusations)," he said, "and they are viewed independently of the notoriety they have achieved."

● Mr Javier de la Rosa, the former manager of KIO investments in Spain, said yesterday he was planning to sue senior officials at the KIO for $150m for defamation.

He said he had already begun proceedings to bring a civil suit against the KIO president, Mr Ali Rashaid al-Badr, Mr Mahmoud al-Nouri, the head of Grupo Torras, the KIO's failed Spanish arm, Mr Salah al-Maousherji, an adviser to Torras, and Mr Abdulwahab al-Haroon, chief of the KIO direct investments department.

Mr De la Rosa has been the main butt of attacks by the new management of the KIO for the last nine months.

NEWS: WORLD TRADE

UK engineering group to build £200m South African steel plant

Davy wins record mill export order

By Andrew Baxter in London and Philip Gawith in Johannesburg

DAVY INTERNATIONAL, part of the Trafalgar House engineering-to-hotels group, has won the UK's largest export order to South Africa in recent years with a £200m contract to supply a complete stainless steel rolling mill.

The order, which will be announced today, is a big boost for Britain's heavy engineering sector. Most of the equipment will be bought in the UK from suppliers including GEC in Rugby and Bronx Engineering in the West Midlands.

The contract is for the R3.5bn (£790m) expansion of the Columbus stainless steel plant at Middelburg, which will quadruple South Africa's stainless steel capacity to 500,000 tonnes a year from 1995, and turn it into the world's sixth largest producer.

The order was won against strong international competition. Mr Fred Boshoff, chief executive of Columbus, said there had been "tremendous interest" in the tenders for the project, with bids from companies in the UK, France, Germany, Italy, Austria and Japan.

Some of the bids had been very keen, indicating the lean state of the international engineering industry.

Columbus, for which Davy built the original plant in 1980-1982, is a joint venture between subsidiaries of Anglo American and Gencor, South Africa's two mining giants.

The award of the complete hot mill and cold mill facility gives Davy the responsibility for the design, supply, installation and commissioning of equipment which will make strip, coil and plate from slabs produced in the new Columbus melt shop.

This will be supplied by Voest Alpine, the Austrian engineering group, while Mannesmann Demag of Germany will supply cranes for the project.

In response to local criticism that major contracts were going offshore, Mr Boshoff said in order to compete internationally state-of-the-art plant was required and nobody in South Africa had the capability to supply the integrated steel plant. He noted that Davy and others would be buying many of their parts in South Africa.

The contract is Davy's biggest since its takeover in 1991 by Trafalgar House, and comes a month after Davy won a £100m turnkey contract to build a new coking oven for Bethlehem Steel in the US.

Financing for the rolling mill contract was arranged by Kleinwort Benson. The UK merchant bank is raising 15 per cent of the money privately and the rest is being arranged through the UK's Export Credit Guarantee Department.

US call for trade goals with Japan

By Nancy Dunne in Washington

AN IMPORTANT US private sector advisory panel has called on the Clinton administration to negotiate a series of specific trade targets with Japan, aimed at boosting US manufactured exports.

Failure to achieve these "temporary quantitative indicators" within an agreed time span would result either in further negotiated measures or US sanctions, says the Advisory Committee for Trade Policy and Negotiations in a report to the president.

With the trade community awaiting a cogent Clinton trade policy, the report is receiving particular attention. It supports only "restrained use" of trade sanctions, but says they must be used if trade pacts are violated.

Although US manufactured exports to Japan have increased at an annual rate of 13.1 per cent since 1989, the rate of increase has slowed dramatically. The bilateral trade imbalance has become "a lightning rod politically" in the US and it may well become a political problem worldwide for Japan, the report says.

At the start of the Bush administration, the committee recommended a programme including fiscal and monetary changes. This eventually became the Structural Impediments Initiative, under which both countries agreed to take macroeconomic steps to improve the trade balance.

The panel's latest report says Japan has done well with its $85bn supplemental budget proposal to stimulate domestic demand. But it urges it to take further steps to reduce Japanese savings, increase consumption and discourage anti-competitive business practices.

The US has done less to meet its commitments. Savings and investment have declined as a percentage of gross domestic product and the budget deficit has shown no improvement. "As long as the US economy remains biased toward consumption and the Japanese. . . . toward production, the US will have a significant trade deficit with Japan," the report admits.

Thailand proposes to establish exim bank

THE Thai cabinet yesterday approved a draft bill to establish an export and import bank, according to Radio Thailand, AP reports.

The measure, expected to be introduced in the next session of parliament in May, would set up the bank as an arm of the Finance Ministry, free from commercial banking rules. It would be capitalised at Bt2.5bn (£67m), which would be contributed by commercial banks and the Bank of Thailand, and drawn from foreign exchange profits confiscated from commercial banks for misconduct.

The governor of the central bank would serve as the exim bank's director for the first three years to smooth the transfer of some functions.

Singapore picks rail contractors

Mass Rapid Transit of Singapore has awarded a S$65.3m (£28m) trackwork extension contract to a joint venture between the UK's Balfour Beatty and Gammon Construction of Hong Kong, Reuter reports from Hong Kong.

Gammon, which announced the contract yesterday, is owned jointly by Jardine Matheson's Jardine Pacific and Trafalgar House. The Balfour Beatty-Gammon joint venture was selected from five tenders. The contract is one of the last two large ones for the 16km Woodlands extension project. The line is due to start operating in 1996.

US group plans $40m brake plant in Europe

By John Griffiths

KELSEY-HAYES, the motor components subsidiary of Varity of the US, is to invest up to $40m in a greenfield plant in Europe with an eventual annual capacity of 1m vehicle anti-skid braking systems.

Mr John Utley, Kelsey-Hayes' vice-chairman, indicated in London yesterday that Spain, Portugal and the UK had been ruled out as locations for the new systems plant. Last year, Kelsey-Hayes established a European research, development and sales headquarters in Frankfurt. However, Germany's high cost base makes it almost certain that the new plant – a high-technology centre expected to employ only about 100 people – will be based in France or one of the Benelux countries. The location is expected to be announced within two weeks.

Mr Utley said the group had signed two contracts worth $110m a year to supply European car makers with the anti-skid systems, starting late next year.

The move comes as Hayes Wheels International, the group's vehicle wheel manufacturing operation recently floated on the New York Stock Exchange – in which Kelsey-Hayes retains a 46 per cent stake – prepares to sign this week an agreement to create a joint venture company with Czech steel maker Ostrava to supply car wheels to both east and west European car makers.

Indians key into the market for software

High-skill, low-cost engineers are getting better but there are still hurdles, writes Stefan Wagstyl

AN ENGINEER at Infosys, an Indian software group, presses a computer key in Bangalore, south India, and his machine connects directly with the computer centre of the Holiday Inn hotel chain 12,000 miles away in the US.

Infosys is supplying Holiday Inn with hotel reservation software.

Its other customers include General Electric of the US and Reebock, the British-owned sports shoe maker, which have bought sales management programs, and Digital Electric, the US computer company, which ordered software to control a fleet of 15,000 sales vehicles.

Thanks to satellite technology, engineers in Bangalore can communicate almost instantaneously with counterparts in the US, Europe and Japan.

Software exports are pouring out of India in ever-increasing volumes, as more multinationals take advantage of the high-skill low-cost engineers who are one of India's biggest competitive advantages.

"India is already a great influence on the world software market," says Mr Michael Klein, head of the Indian operations of IBM, the US computer group. "They are getting better all the time. If they continue to get better they will become unbeatable for the next 10 or 20 years."

India must overcome many hurdles, if it is to fulfil Mr Klein's prediction.

Its phone and transport networks are inadequate and red tape still hinders business activities despite economic liberalisation in recent years.

Violence after destruction of the Ayodhya mosque has also disturbed some foreign companies' plans.

Moreover, there is tough competition from other low-cost software exporters, including east Asian and east European countries.

But many foreign high-tech companies believe India's engineers are hard to beat because they speak English, the language of international high-tech trade, and are trained at some of the best universities in the developing world.

According to a World Bank-funded report, average monthly wages for programmers in India are just $225 (£158) compared with $600 in Singapore and $2,500 in the US.

India is starting from a low base, with less than 1 per cent of world software output.

Indian software engineers estimate they have a sizeable 12 per cent share of developing countries' software exports. Exports are expected to reach $225m in the year to June 1993 and are growing at an annual rate of 30-40 per cent.

INDIAN SOFTWARE EXPORTS IN $m (years to June)

1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93*
39	52	67	100	128	179	225*

*1992-93 figure projected.
Source (Indian) National Association of Software and Service Companies.

Moreover, success in software is beginning to encourage improvements in the quality of domestically produced hardware, potentially also a significant export.

Foreign companies have held back from investing in India, not least because of the painful experience of IBM, which quit the country in the mid-1970s in a row with the government over ownership of its Indian subsidiary.

But the economic liberalisation that started in the mid-1980s and that gathered pace when Mr P V Narasimha Rao, the prime minister, launched reforms in 1991, has persuaded multinational companies to reconsider India.

Texas Instruments, the microchip maker, which opened a software centre in 1986, was one of the first to invest. Motorola, Digital Equipment and Intel have followed.

IBM, because of its past experience, has been one of the later arrivals. It signed a joint venture with Tata, the industrial conglomerate, last year. This month it opened an office block in Bangalore and launched three ranges of computer on to the Indian market.

Mr Richard Gall, managing director of the Indian subsidiary of Texas Instruments, says: "India is now a critical part of our design capability."

Indian-controlled exporters are also winning increasingly complex orders. Tata Consultancy Services, a Tata group software house and the biggest exporter, is capable of "studying" client businesses and "helping" to design "one-off" systems. So is Infosys, which is opening marketing offices this year in Boston, San Francisco and Paris and next year in Dallas and Chicago.

Indian companies believe they are more likely to succeed in producing customised packages than in competing in the market for packaged software, which requires far more marketing muscle in developed countries than they can afford.

Foreign buyers are far more cautious about purchasing Indian hardware.

The partnerships struck so far between multinationals and Indian computer companies generally involve the export of software.

In return, the foreign group supplies the Indian partner with brand-name computers and/or kits for sale in India but not for export to other countries. This helps foreign companies enter the Indian market and Indian groups to sell top-quality machines.

However, the domestic industry is still protected by high import tariffs, which restrict sales growth by keeping prices high – above $2,000 for a basic personal computer.

Only 110,000 computers were sold in India last year, split among over 20 manufacturers, giving little scope for large-scale cost-efficient production.

Mr Dick Heimlich, corporate vice president of Motorola, the American electronics group, says: "The problem isn't quality standards but costs, which can be three times higher than in the US."

Given enough support and a big export order, some Indian hardware suppliers may make the grade.

Dell Computers of the US, the personal computer maker, has placed an order for the assembly of printed circuit boards with PCL, a leading Indian manufacturer, for no less than $50m. "That's a breakthrough. It means they can reach critical mass," says Mr Gall of Texas Instruments.

But others have yet to follow Dell. Mr Klein at IBM believes it will take time for Indian companies to meet the company's quality standards. He plans to start by purchasing low-technology items such as cables and transformers.

For the next few years at least, fortune is likely to favour software producers. This should work to India's advantage, since software sales are expected to grow faster than hardware revenues in the global computer industry.

Moreover, some engineers believe that innovations in software will increasingly lead hardware development in the future. As Motorola's Mr Heimlich says: "The industry is evolving in India's favour."

Bank warns rate cut would undermine inflation policy

By Peter Norman and Peter Marsh

THE BANK of England yesterday gave the government a thinly veiled warning that a further cut in interest rates at present would jeopardise its struggle to defeat inflation.

In its first quarterly report on inflation, the Bank said expectations of inflation are still too high in Britain and the government's target has yet to win credibility.

It warned "further progress is required" to meet the government's inflation objective of keeping the annual increase in the retail prices index, excluding mortgage interest payments, in a 1 per cent to 4 per cent target range during the life of this parliament.

The Bank also said it expects UK unemployment to continue rising for some months and urged wage restraint to prevent further job losses. It has seen few signs so far of recovery in demand and output.

This gloomy view was borne out yesterday by government figures for industrial production. These showed manufacturing output fell in each of the last two quarters of last year. Output of all production industries, including manufacturing, energy and water, dropped in 1992 for the third year running – the first time this has happened since the early 1930s.

Although the Bank believes that underlying inflation can stay in a 3 per cent to 4 per cent range over the next two years, there are risks that the top level of the target will be breached. The Bank warned that "a sustained further depreciation of sterling" could cause inflation to exceed the target range.

Although the Bank is not independent, it was recently given a mandate by the government to combat inflation. Yesterday's report is a sign it takes its duties seriously.

The Bank considers the report is an important check on government actions. It has taken steps to ensure that it has a wide circulation by offering it for sale in leading bookshops. Mr Robin Leigh-Pemberton, the Bank governor, has also invited the influential House of Commons Treasury and Civil Service Committee to comment on the report.

The report itself details how cost pressures have built up in the economy since sterling's exit from the European exchange rate mechanism. It marks out the government's limited room for manoeuvre by setting its present monetary policy in the context of continuing inflation pressures.

Although the Bank supported the cut in bank base rates to 6 per cent in January, it warned yesterday that the easing of policy since September will now trigger a pause in the process of lowering UK inflation.

High corporation tax revenues, coupled with relatively low government spending, contributed to a higher-than-expected £3.83bn surplus in government finances in January. It was the first monthly surplus for a year.

About £1bn of the surplus was due to a new system for collecting value added tax from big companies on a monthly basis. This brought forward to January receipts which would normally be paid this month.

The large surplus recorded last month is likely to be countered by big deficits this month and in March. That is expected to push the public sector borrowing requirement for 1992-93 to about £37bn, after a £13.7bn deficit in 1991-92.

The Treasury said yesterday the PSBR for the first 10 months of the year came to £21.6bn, compared with £6.5bn at the same stage in 1991-92. The deficit has increased as the recession has cut tax receipts and pushed up spending on unemployment benefits.

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Tax rules adjusted on foreign exchange

By Andrew Jack

COMPANIES will be subject to more equitable taxation on foreign exchange gains and losses, under long-awaited and radical draft legislation circulated yesterday by the Inland Revenue.

The rules will permit them to offset losses on exchange fluctuations against tax for the first time. Previously companies have been taxed on any exchange gains without being allowed to take any corresponding allowances for losses.

The Revenue said the legislation would not be retrospective, so it will not help companies which suffered heavy exchange losses after the depreciation of sterling at the time of Britain's withdrawal from the exchange rate mechanism last autumn.

But tax practitioners generally welcomed the proposals as a change which would bring the UK into line with the tax regimes in other countries in the long-term.

"This gives British companies more of a level playing field with the rest of the world," said Mr Derek Jenkins, a tax partner with Coopers & Lybrand. "They will be taxed on their trading transactions in foreign currencies in the same way as they are accounted for in economic terms."

Ms Emma Lubbock of Price Waterhouse said: "Companies will welcome the certainty of tax treatment and the removal of anomalies." But she said they would be daunted by the 40 pages of regulations and notes.

The Revenue said the effect of the changes would be broadly tax neutral, with any losses from the introduction of allowances being offset by new taxes on gains which were outside the remit of previous legislation.

The draft regulations have been circulated for comment before the end of March following a previous consultation document in 1991. The legislation is unlikely to be enacted until next year at the earliest.

Practitioners said the new version largely reflected the comments made during consultations with organisations including the so-called "Group of Nine" of professional bodies and corporate representatives.

Mr Jenkins said there was still concern over the apparent exclusion from the new rules of allowances for foreign exchange losses of holding companies, and for foreign companies with a series of UK operations. He also expressed doubts about the fairness of some of the provisions for anti-avoidance on loans between related parties and on inconsistent taxes and allowances on unrealised gains.

Ms Lubbock said that in the short-term, companies which had structured their operations to compensate for the existing tax system would be concerned over how far they might be penalised until the new system is implemented.

Major accused of 'outright abuse' over Maastricht

By Ralph Atkins

MR JOHN MAJOR was accused of "outright abuse" of Britain's constitution by the opposition Labour party yesterday over the government's handling of the bill to ratify the Maastricht treaty.

The attack, which followed an embarrassing about-turn by ministers on Monday, foreshadowed a possible clash between the government and parliament over Labour's amendment to include the social chapter in the bill.

Labour leaders said they would try to turn the debate on its amendment 27 on the social chapter into a vote of principle – even though the government said on Monday that fresh legal advice meant that Maastricht could still be ratified without changes if the amendment was passed.

Although the government has removed some of the sting from Labour's amendment, the spectacle of Mr Douglas Hurd, foreign secretary, correcting the government line set out a few weeks ago by Mr Tristan Garel-Jones, Europe minister, gave ammunition yesterday to Labour.

In the Commons, Mr John Smith, Labour leader, said the prime minister was, "determined to use every slippery manoeuvre to avoid Parliament deciding this issue. Aren't you engaged in an outright abuse of our unwritten constitution?"

He asked Mr Major to say whether parliament should be able to decide if the social chapter should be incorporated in Maastricht.

The prime minister confirmed that MPs who back the social chapter will only have the choice of accepting the treaty as a whole or not at all. "It is for this house to decide by its vote on third reading whether to approve the European Communities (Amendment) Bill and enable the government to ratify the treaty," Mr Major said.

There were two sorts of amendment, Mr Major said. "Those that would render our law incompatible with the Treaty and must be defeated, and others which are undesirable but would not prevent us from ratifying."

The government regards amendment 27 as being in the second category.

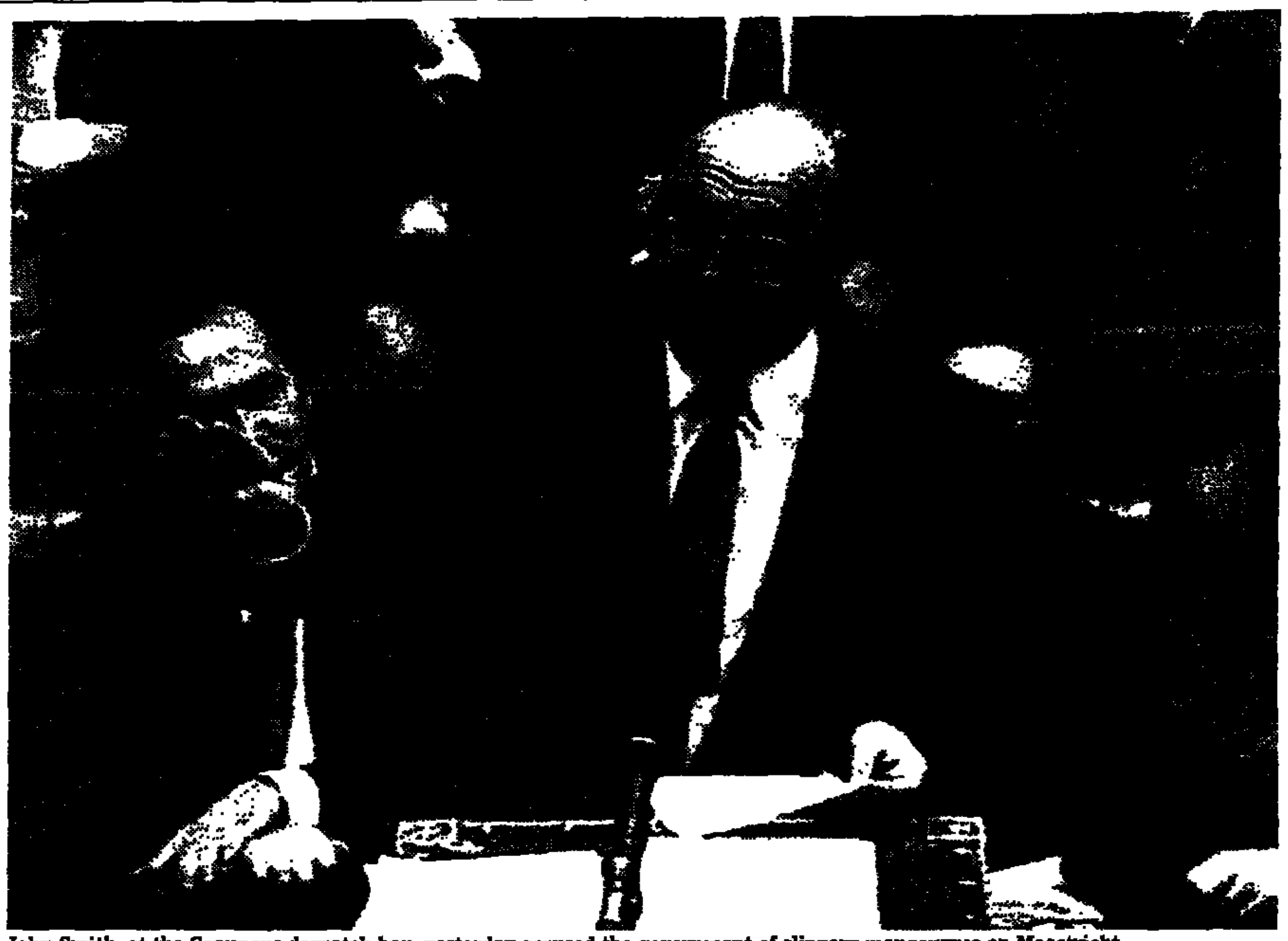
Euro-sceptic Tory MPs signalled that they may still vote for Labour's amendment because of possible embarrassment to the government and the faint prospect that it would scupper Britain's ratification of Maastricht. With the Liberal Democrats pledged to back Labour, the chances of a government defeat have increased since Monday, one Tory rebel said.

Amendment 27 would remove the Maastricht treaty protocol that includes both the social chapter for the other 11 European Community members and Britain's opt-out.

The row has descended into a conflict over legal advice. Labour believes its amendment could still force the government to call an inter-governmental conference and implement the social chapter before Maastricht can be signed.

Last night Mr Smith wrote to the prime minister asking for the publication of advice on amendment 27 given by the government's law officers and by the foreign office.

Labour is also determined to press other amendments to the Maastricht treaty – including on increasing accountability of the European central bank – and to keep the pressure on the government.



John Smith, at the Commons despatch box, yesterday accused the government of slippery manoeuvres on Maastricht

Lawyers rule out challenge to UK stance on social chapter

By Andrew Hill in Brussels

BRITISH industry's European competitors would almost certainly fail if they tried to challenge in court the UK government's refusal to adopt the social chapter of the Maastricht treaty.

EC lawyers in Brussels indicated yesterday that companies and governments had little or no legal redress if competitors chose to exploit more favourable terms and conditions for workers in other member states.

The debate has been fuelled by the row in the British parliament over the UK's opt-out from the controversial social chapter, and the recent decision by Hoover, the US manufacturer of domestic appliances, to switch production of vacuum cleaners from Dijon in France to Cambuslang in Glasgow, Scotland.

Lawyers agree that more favourable labour legislation and lower salaries may give a competitive advantage to some countries. But they point out that decisions made on those grounds are hardly affected by EC legislation, which is very sparse in the sensitive area of labour law.

"Even among the 11 which have not opted out of the social chapter, there has not been total harmonisation," said Mr Francis Herbert, a partner with Loeff Claeys Verbeke, the Belgian law firm.

EC countries such as Portugal have long exploited their low labour costs to attract investment. In recent cases – such as the decision by Volkswagen and Ford to build a minivan plant in Setubal, Portugal – the main legal question was whether aid granted to the companies conformed with EC rules on state subsidies.

Mr Clive Stanbrook of Stanbrook & Hooper indicated that companies would probably have more success if they tried to bring a case against EC countries which were gaining an advantage by not implementing environmental legislation. "There's no reason why those parts of the Community that have lower wage rates and lower overall social costs should not be chosen by industrialists," he said.

Mr Jacques Bourgeois of Baker & McKenzie said yesterday that in addition, if the Maastricht treaty is ratified by all 12 member states, the opt-out from the social chapter will itself become part of EC law: "This is a competitive edge which has been fully accepted by the signatories [of the treaty]. The [European] Court of Justice would have great difficulty in saying it couldn't accept that."

Salvation Army victim of alleged $8.8m fraud

By John Mason, Law Courts Correspondent

THE Salvation Army yesterday claimed that it had become the victim of an $8.8m fraud.

A writ issued in the High Court alleges that Tilen Securities Inc, its owner, Mr Stuart Christopher Ford of Birmingham, and Mr Gamil Naguib conspired to defraud the Salvation Army of the money.

The Salvation Army refused to give details of the relationship between it and the three defendants. In a statement, it said that despite repeated requests for money owed to it, only $500,000 had been reinstated.

Commissioner John Larsson, the charity's Territorial Commander in the UK, said it had been left with no alternative but to take legal action to seek recovery of the rest of the money.

The High Court action follows proceedings started in Luxembourg last month when bank accounts containing some $520,000 were frozen.

The legal action has the full support of the Charity Commission. The Salvation Army has asked Coopers & Lybrand, the accountants, to conduct a full investigation.

The charity, the largest provider of social services after the government, last year had an income of almost £80m of which £12m came from public donations.

Mr Larsson said: "I firmly believe that the public will see that we are acting decisively."

None of those named on the writ could be contacted for comment last night.

BA faces new competition from Virgin

By Paul Betts, Aerospace Correspondent

MR RICHARD Branson's Virgin Atlantic Airways is stepping up its challenge to British Airways and launching a new service from London's Heathrow airport to New York's Newark airport at the end of next month.

Mr Branson, who is still seeking compensation from BA for the commercial damage he claims his airline suffered from BA's "dirty tricks" campaign, is expected to officially announce the start of the new service when he opens Virgin's new £1m passenger lounge at Heathrow next week.

Virgin will switch its present Newark service from London's Gatwick airport to Heathrow because the airline has secured the necessary take-off and landing slots at the bigger airport. Mr Branson said the service would enable Virgin to compete directly against BA on the Newark route from Heathrow.

The Virgin chairman said yesterday the airline planned to resume a separate service from Gatwick to Newark next year, when it expects to receive new aircraft to increase the size of its fleet.

Virgin is in advance negotiations with the European Airbus consortium to acquire four A340 long-range jets with an option for an additional A340. It is also negotiating with Boeing to acquire a 747-400 jumbo with options for the new Boeing 777 twin engine airliner.

The Newark service will bring to four the long-haul destinations served by Virgin from Heathrow. The airline already operates to Los Angeles, New York's JFK airport and Tokyo.

Government unveils plans for London hospital closures

By Alan Pike, Social Affairs Correspondent

THE government yesterday put in place a strategy aimed at achieving widespread hospital closures in London while taking the force out of opposition to the restructuring.

Final decisions on the most sensitive hospital closures recommended in Sir Bernard Tomlinson's report on London healthcare will not be made until after further reviews and consultations later this year.

But this does not amount to a reprieve for threatened hospitals like St Bartholomew's and the Charing Cross, even though the government has feared that closing famous institutions would cause a political storm.

Mrs Virginia Bottomley, health secretary, made it clear last night that the London restructuring proposals would not be considered by ministers as a single package again. Decisions on the future of individual hospitals will be taken separately from now on. Threatened institutions – faced with fragmented decision-making and an uncertain timetable – will find it difficult to maintain the high-profile level of campaigning that preceded yesterday's announcement.

The government has accepted the broad conclusions of the Tomlinson report – that up to 2,500 inner London hospital beds should be shed over the next five years, with resources diverted to family doctor and community services.

Mrs Bottomley announced plans for £170m capital expenditure on improving local medical services in inner London over the next six years, plus £40m extra revenue expenditure next year. A number of innovations, including introducing salaried general practitioners to improve inner London's family doctor services, are planned.

"London deserves the radical overhaul which, over the years, many have promised but none have delivered," Mrs Bottomley told the Commons.

The long-standing financial problems of the capital's teaching hospitals have been brought to a head by the 1991 health reforms, which are leading to health authorities outside inner London treating more patients locally. £50m has been spent on government subsidies to cover the London hospitals' lost income this financial year, and this is likely to double next year.

The government's plans won a broad welcome yesterday from most London hospitals affected. Both Guy's and St Thomas's said they were pleased Mrs Virginia Bottomley, health secretary, had accepted the recommendation that they should merge as a single NHS Trust. St Thomas's said it particularly welcomed the recognition of the need for a merged accident and emergency department for south London on one site.

Guinness judge criticises bias

By John Mason, Law Courts Correspondent

THE current bias in fraud trials towards defendants should be changed to simplify issues and shorten the time cases spend in court, the judge in the final Guinness trial suggested yesterday.

Mr Justice Turner criticised the current procedure, under which a prosecution has to outline all details of its case at the start of a trial while defence lawyers can hold back material to set up "ambushes".

Considerable time could be wasted and jurors insulted by witnesses being cross-examined about matters which were never in dispute, he said.

In the last Guinness trial, which ended with Mr Thomas Ward's acquittal on Monday of alleged theft, much time had been spent pursuing matters which were never live issues, he said. The real issue had been whether or not Mr Ward's £5.2m fee had been dishonestly obtained, he said.

Mr Justice Turner called for defendants to have to disclose as much material as prosecutions at the start of trials, as happens in civil litigation. Defendants who failed to do this should be prevented from introducing evidence which had been held back.

His comments were welcomed by Mr George Staple, director of the Serious Fraud Office, who said they were in line with the SFO's recommendations to the Royal Commission on Criminal Justice.

Mr Justice Turner called for judges to be given powers to decide whether "anti-social behaviour" in the markets should be dealt with by regulators or the courts.

LEGAL NOTICES

Notice of Appointment of Administrative Receivers

CLAREMOUNT ESTATES (WEYBRIDGE) LIMITED

Registered number: 2444269. Trading name: Claremount Estates (Weybridge) Limited. Trade classification: 35. Name and address of Joint Administrative Receivers: D J Stokes and A R Stanway, Coopers & Lybrand, 1 East Parade, Sheffield S1 2ET. Office holder numbers: 2682 and 2665. Date of appointment: 15 January 1993. Name of appointer: IB Finance (UK) plc.

Signed: D J Stokes.

Date: 18 January 1993.

Notice of Appointment of Administrative Receivers

CLAREMOUNT ESTATES (AYLESBURY) LIMITED

Registered number: 2443833. Trading name: Claremount Estates (Aylesbury) Limited. Trade classification: 35. Name and address of Joint Administrative Receivers: D J Stokes and A R Stanway, Coopers & Lybrand, 1 East Parade, Sheffield S1 2ET. Office holder numbers: 2682 and 2665. Date of appointment: 15 January 1993. Name of appointer: IB Finance (UK) plc.

Signed: D J Stokes.

Date: 18 January 1993.

TARRAFERN LIMITED
(In Administrative Receivership)

NOTICE IS HEREBY GIVEN pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named company will be held at the offices at Robson Rhodes, 186 City Road, London EC1V 2NU on Tuesday 2nd March 1993 at 10.00 am, for the purpose of having laid before it a copy of the report prepared by the administrative receivers under section 48 of the said Act. The meeting may, if it thinks fit, establish a creditors' committee to exercise the functions conferred on it, by, or under the Act.

Creditors are only entitled to vote if: (a) they have delivered to us at the address shown above, no later than 12.00 hours on the business day before the meeting, written details of the debts they claim to be due, and claim has been duly admitted under the provisions of the Insolvency Rules 1986 and (b) there had been lodged with us any proxy which the creditor intends to use on his behalf.

Dated this 9th day of February 1993

V.M. BAIRSTOW & N.H. COOPER.

Joint Administrative Receivers

Creditors may obtain a copy of the report, free of charge, on application to the Joint Administrative Receivers at 186 City Road, London EC1V 2NU.

PERSONAL

Britain in brief

Seized parts Iran-bound, says report

British customs officials have seized thousands of fighter aircraft parts ordered by Iran, according to a report in Flight International, the aviation magazine.

The magazine said the parts were ordered by DBL, a small company based near Maidenhead, west of London, run by Canadian-born Mr Richard Patrick. "Several British businessmen are being interviewed in connection with the affair and more than one is expected to be charged," it said.

Customs and Excise refused to comment on the article and would not confirm that an investigation was under way.

Redundancies at Leyland Daf

Administrative receivers of the Leyland Daf truck group have announced 80 redundancies among the 270 Birmingham-based staff assigned to the Excel project, a joint venture between Renault and Daf to create a range of vans.

The move was expected to be the first stage in winding up the Birmingham end of the project, with Renault expected to announce shortly – possibly today – that it plans to proceed with the project on its own, or has found a replacement partner.

A spokesman for the receivers said that negotiations over the exact future of the Excel facilities were continuing.

Export credit cover defended

Mr Michael Heseltine has hit back at recent criticism of the cost and availability of credit cover for British exporters, highlighting recent cuts in premium rates for sales to the Middle East.

In a speech to the Middle East Association, the trade and industry secretary said the UK's Export Credits Guarantee Department has cut premium rates by 25 per cent in Abu Dhabi, Dubai, Oman, Saudi Arabia and Bahrain. He also announced the resumption of medium-term cover for Morocco.

Nuclear leak 'not too serious'

Last week's leak from the Sellafield has been classed as "1" – the least serious type of incident – on the international scale of nuclear events. The scale, devised by the IAEA, the international nuclear watchdog, ranges from one to seven – the Chernobyl explosion was classed as a seven.

According to the scale, the Sellafield leak is deemed to have shown "functional or operational anomalies which do not pose a risk but which indicate a lack of safety provision...This may be due to equipment failure, human error or procedural inadequacies". The pollution and nuclear installations inspectorates are investigating the cause of the accident.

Rebuke for Tory minister

Mr John Gummer, the agriculture secretary, has been reprimanded for failing to declare in the register of MPs' interests landscaping work on a garden pond in his garden.

The cross-party committee of MPs reprimanded Mr Gummer, saying that he should have registered the £2,000-plus worth of work paid for by Hillsdown holdings, the food group.

The work was carried out in connection with an informal meeting of EC agriculture ministers in September last year, after Mr Gummer had agreed to allow his Suffolk home to be used to entertain visiting ministers.

Customs staff vote for strike

Customs officers belonging to the Civil and Public Servants' Association plan to strike for the day on Thursday over what the union claims is a pay cut.

Customs and Excise is seeking to replace overtime payments with an annual allowance for flexible working. CPSA says the move will mean pay cuts of up to £2,000 a year.

Customs and Excise said the new proposals would help to save 250 job.

MANAGEMENT

Fund manager Viktor Kozeny aims to exert control over his portfolio, writes **Anthony Robinson**

Keeping in Czech

The dispersion of shares among thousands of very small investors has been highlighted by critics of eastern Europe's mass privatisation programme (MPP). They say this approach militates against the emergence of powerful new owners with enough clout to impose their will on management.

Viktor Kozeny, an American-educated Czech financial whiz-kid whose Harvard Capital and Consulting company (HC and C) is widely credited with breathing unexpected life into the Czechoslovak MPP last year, is out to prove them wrong.

After five rounds of competitive bidding spread over almost a year, nearly 50 per cent of the coupons representing shares in around 1,500 newly privatised Czech and Slovak companies are held by a small group of nine investment funds. They intend to use their concentrated power to exert effective control over the companies in their portfolios.

The unexpected concentration of shares in only nine out of the 400 funds which blossomed last year follows Kozeny's success in persuading millions of sceptical and inexperienced Czechs and Slovaks to take up the government's voucher offer. He did this by promising to buy the Kcs 1,000 (£24) privatisation vouchers for Kcs 10,000 12 months after the government converts them into shares in the newly privatised companies. This is now expected to happen early in 1994.

The offer turned what many potential investors had originally perceived as a dubious bargain into an apparent sure-fire money spinner. Interest in the coupons soared, and eventually 8.5m Czechs and Slovaks took advantage of the government offer and subscribed the equivalent of an average week's wages for their coupon books. Only 28 per cent of the vouchers were retained by individuals. The bulk were entrusted for management to the 400 or so funds, with Kozeny's and eight others run by banks and insurance companies taking the lion's share.

The majority of coupon holders had only the vaguest notions about the potential value, or even the identity, of the state-owned enterprises whose shares they were invited to bid their coupons for during the first wave of the MPP. Kozeny's HC and C, the first fund which offered to manage the coupons on behalf of their new owners, is one of the biggest.

Unlike most of his imitators among the new funds, who scattered their delegated coupons among the enterprises on offer, Kozeny limited his purchases to 50 companies which his research identified as the "vertebral column" of the Czech and Slovak economies.

Viktor Kozeny: pledges to redeem the coupons at 10 times their nominal value

With the political divorce in view, MC and C created two Slovak funds, denominated in Slovak crowns, and six Czech funds which hold 85 per cent of the assets under management. Most Slovaks opted to invest the bulk of their coupons in Czech enterprises, but they will not be able to participate in the second wave of Czech coupon privatisation.

The laser-beam approach to portfolio-building has left the funds managed by HC and C with stakes in key Czech and Slovak enterprises which are sufficiently large to give the fund managers, Kozeny in particular, effective proprietorial rights in strategic sectors of the economy.

The list includes two of the leading banks, Komercni Bank where the fund's 17.5 per cent holding translates into 40 per cent control over an institution with assets of around $10bn (£7bn), and 13 per cent of voting shares, again equivalent to 40 per cent control, in Ceska Sporitana, the savings bank.

Other key holdings built up by Kozeny's funds include strategic stakes in CEZ, the main Czech hydro-electric company, Slovnaft, the Bratislava refinery, and minority stakes in companies such as Tabak, now controlled by Philip Morris, and Cokoladny, controlled by Nestlé.

The latter offers both income growth and a sop to national feeling by ensuring Czech investors retain a stake in what many see as "family silver" companies. More to the point, given Kozeny's pledge to redeem the coupons entrusted to the fund at 10 times their nominal value, shares in companies with large foreign shareholders are perceived as more liquid and more easily marketable than the bulk of new shares whose market value will only be definable once they are exchanged for coupons and become tradeable.

With an eye on the most successful Czech export sectors, Kozeny's funds have also acquired significant stakes in breweries, paper and pulp companies, a dozen brick and cement companies and four out of the five biggest construction companies. "One of the brick companies in southern Bohemia is selling bricks costing 80 pfennigs for DM5.80 (£2.52) apiece in Munich," he says, underlining the profit potential for low-cost Czech companies able to benefit from the Bonn-financed reconstruction of former east Germany and the high-wage west German economy.

By contrast, Kozeny adds: "We have not invested a single coupon in the iron and steel industry or engineering." These sectors, he adds, are saddled with over-capacity, low productivity and high environmental liabilities.

Kozeny's selective approach has given HC and C funds 15-20 per cent stakes and one or two board seats in 37 companies, and 7-8 per cent stakes in 13 others. This gives the funds run by Kozeny, who founded HC and C with $3,000 and retains 100 per cent ownership, a management voice in assets with a book value of around $1bn or an estimated $1.5bn at current prices.

Making these newly acquired assets profitable, though, will require some drastic surgery. If Kozeny has his way "up to 60,000 or 70,000 people in the enterprises we now help manage, roughly 25 per cent of the present work force will have to go". That includes the banks which are in the midst of a heavy investment programme in new computers and equipment.

The ability of Young Turks such as Kozeny to influence enterprise management depends on the willingness of millions of inexperienced small investors to resist the temptation to liquidate their shares at the earliest opportunity. If investors take the long view, the new funds, or at least the handful which have built up strategic stakes, should retain the concentration of ownership required to exercise ownership rights. If not, some of the funds could be swept away by liquidity pressures. These are nervous times for those involved in the boldest mass privatisation programme to date in the former communist bloc.

A time and motion study for the House

Can parliament be more efficient, asks **David Owen**

"Reform in this House proceeds exceeding slow. It makes a snail look like Nigel Mansell."

Sir Peter Emery, Conservative MP and Commons procedure committee chairman.

Management consultants have infiltrated the gates of Whitehall, as government reform of civil service working practices bears witness. But the barbarians have yet to penetrate the Palace of Westminster. MPs jealously continue to guard the right to decide how business in the engine room of Britain's democracy is conducted. The result is that little ever changes.

But what might such a team of unelected executive mercenaries come up with if unleashed on the green leather benches of the House of Commons debating chamber? How would they suggest that business might be ordered more efficiently? Here is an idea of what Messrs Rag, Tag and Bobtail might propose.

First the good news: the Commons scores full marks for effort.

While ritualistic trappings give proceedings a leisurely and anachronistic air, the chamber sits for longer than any comparable legislature. MPs work on average a punishing 62-hour week – though increasingly outside the debating chamber. Even critics of current practice, such as John Garrett – Labour MP for Norwich South and, incidentally, a management consultant – admit parliament "processes thousands of pages of legislation, produces hundreds of reports and airs countless grievances at remarkably little cost".*

But when it comes to organising this time there is room for improvement:

● **Hours.** The Commons needs a comprehensive time-management study. Delaying the start of sittings four days a week until 2.30pm was fine before 1911 when MPs were unpaid and of necessity part time. But it means the Commons frequently rises well after midnight. With most MPs on the go from 9am or earlier, such a schedule is an inducement to work absurdly long hours and scarcely conducive to effective debate.

On Fridays, when MPs are keen to return early to their constituencies, business starts at 9.30am. So there seems little reason why the current timetable should not simply be brought forward five hours from Tuesday to Thursday.

No fewer than 83 per cent of MPs responding to a questionnaire prepared by a cross-party committee examining possible reforms in 1991 favoured reducing the number of late sittings.

When it reported last year, the committee's recommendations advocated merely one extra morning sitting per week, along with some Fridays off and greater efforts to wind up at 10pm.

● **Committee stage of bills.** The development process in the Commons for Westminster's core product line – legislation – could do with an overhaul.

Currently, effective scrutiny of a bill is too often subordinate to party political skirmishing. This means the care with which a bill's contents are examined and amendments considered, frequently bears little relation to the measure's intrinsic qualities.

One way of correcting this imbalance and ensuring all clauses of a bill receive equal scrutiny would be to provide for automatic time-tabling from the outset of the committee stage of detailed consideration.

This innovation would also save time in the chamber by making debates on time-tabling motions to limit debate redundant.

● **Summer recess.** The Commons' holiday arrangements should correspond better with the need to subject the government to year-round scrutiny.

As Labour's Harry Barnes and Jeff Rooker have argued, parliament's three-month summer recess deprives MPs of the ability to tackle ministers with written and verbal questions to which they must publicly respond. It also strips MPs of the protection against libel which the parliamentary privilege applied to everything uttered in the chamber provides.

The system championed by Joan Walley, Labour MP for Stoke-on-Trent North, providing for a five-week cycle of four weeks at Westminster and one week away, would be a sensible improvement.

● **Votes.** There can be few spheres in which Bulgaria has anything to teach Britain on productivity. But voting in the national parliament is one of them. The wizardry of their electronic voting system means Bulgarian MPs can conduct a vote in a twinkling of an eye compared with their British counterparts, conserving valuable parliamentary time for other matters. For example, the two cliff-hanging votes in November which secured Maastricht's return to the Commons took a total of 31 minutes.

Installing an electronic voting system would represent a big step forward in updating British parliamentary practice. But there is little chance of the government agreeing to it. As the Maastricht débâcle demonstrated, there is nothing like having MPs queueing up to troop through the lobbies to make the government whips' task of dissuading backbench rebels that much easier.

● **Prime Minister's Questions.** Since MPs have only about 30 minutes per week in which to question publicly the prime minister, it is bizarre to waste vital seconds in pro forma inquiries about his engagements. This happens because verbal questions must be submitted some two weeks ahead of time. It is difficult then for the questioner to frame a topical question; so most fall back on the formula, revealing their real interest only in follow-up questions. The required innovation – abolishing the notice-period – is self-evident.

**Westminster – Does Parliament Work? By John Garrett. Published by Victor Gollancz. Price: £17.99.*

BUSINESS AND THE ENVIRONMENT

Both sides claim victory in 'who should pay' case

Richard Lapper on a long-running dispute over insurance coverage

Insurers, including underwriters at the Lloyd's market in London, have welcomed the judgment by a California appeals court in the Shell Rocky Mountain Arsenal case, one of the biggest disputes about insurance coverage for environmental pollution in the US. Insurers' confidence over the judgment, though, could be at best premature and at worst entirely misplaced.

At the centre of the Rocky Mountain Arsenal case is a 27-square mile site near Denver, Colorado. Its owners, the US Army, made chemical weapons there – including nerve and mustard gas – from 1942 until 1969, leasing part of the site to Shell Oil, the US subsidiary of Royal Dutch Shell, which made a range of pesticides and herbicides there – and deposited waste products – between 1952 and 1969.

Current estimates of the total clean-up costs range between $1bn-$2bn. Shell has agreed with the army to pay 50 per cent of the first $500m in costs, 35 per cent of the next $200m and 20 per cent of any remaining cost.

Impartial observers believe that verdict, handed down on 21 January by Judge Ming Chen, encourages both sides. "There is enough in this for both sides to claim victory," suggests Chris Clarke, environmental specialist with the fortnightly newsletter, World Insurance Report.

And while Shell and its lawyers are understandably cautious, policyholder lawyers have been heartened by the verdict. Randolph Fields, a lawyer who acts on behalf of policyholders in similar cases, says the result is a "a terrible defeat for Lloyd's".

Last month's legal ruling is the latest stage in litigation about who should pay. Shell originally notified potential claims on several hundred comprehensive general liability insurance policies from February 1982, resorting to legal action when its insurers refused to pay.

In the judgment, the California court ruled Shell could not collect on policies which it had bought after 1969, when insurers introduced a clause which limited coverage to pollution caused by a "sudden and accidental" release of pollutant.

That part of the verdict produced a triumphant response from insurance lawyers, who say it means Shell is unable to claim on approximately two-thirds of the policies potentially triggered by the claim.

"In terms of financial impact it's very significant for London. We got more out of it than the policyholder," says Barry Bunshoft, a San Francisco-based attorney with Hancock Robert and Bunshoft, which represented Lloyd's underwriters in the case.

However, Shell and its lawyers are placing equal emphasis on a second part of the judgment.

When the case was first in court in 1988 the jury found that Shell could not collect on insurance policies because the pollution it had caused at Rocky Mountain had been "expected and intended" and therefore was not covered by the wordings on policies bought by Shell between 1952 and 1969.

Last month the appeals court ruled that in 1988 the jury had been improperly instructed to determine whether Shell knew or should have known that it was contaminating the site.

Instead, the court ruled jurors should have been asked to determine only whether Shell actually expected or intended the pollution. That part of the case will now be heard again by a lower court, opening up the possibility that Shell can claim on its older policies.

Bunshoft, the Lloyd's lawyer, said the judge's view on this issue amounted to "nit-picking".

Shell, though, insists that insurers could still be liable for a significant portion of the clean-up cost. At the very least the legal battle seems set to continue for some time. Clarke says: "The reality is that more stages of judicial argument lie ahead before final resolution of this enormous case."

The 2,000-year-old skeleton was surrounded by fragments of pottery which once held offerings left by grieving relatives

Archaeology in the pipeline

Peggy Hollinger on the discovery of an Iron Age man

The body was found in a curled position, as if the Iron Age man had been seeking protection from the harsh Humberside winds. Scattered around him were the flint tools he had used more than 2,000 years ago and fragments of pottery which once held offerings left by grieving relatives.

The skeleton might have remained undisturbed for another 2,000 years, had not Kelt Energy, the UK-quoted independent, set upon the Humberside wolds for its latest onshore gas venture. The Caythorpe field, which produces the first onshore gas to be sold to an independent marketing company, was opened by Kelt and its partner, DSM Energy, last month.

The opening was accompanied by an exhibition of artefacts – ranging from a brightly enamelled Roman brooch to a crude 4,000-year-old flint saw – discovered in an eight-week excavation sponsored by Kelt.

The archaeological dig was less the result of Kelt's philanthropic tendencies, than a preventive measure to ensure the smooth passage of planning permission for its 4.5m pipeline. Following Department of the Environment guidelines issued in 1990, planning committees are increasingly likely to consider heritage concerns to be as important as other environmental issues. This has placed new strains on many companies such as Kelt.

The Caythorpe region is a minefield for any developer. "This area has one of the densest concentrations of archaeological sites in the country," says Peter Cardwell, a partner of Northern Archaeological Associates.

However, Kelt sought to pre-empt planning objections by hiring the archaeological consultancy at an early stage of Caythorpe's development. The pipeline's route was determined only after aerial photographs and in-depth research had pinpointed the main archaeological sites to avoid. The route was then subjected to magnetic soundings. More sites were discovered, and Kelt duly altered the initial pipeline path.

The company then decided to fund the excavation of sites which it could not avoid. The guidelines are vague as to who has to foot the bill; however, the local council can force a developer to find financing for both the excavation and subsequent analysis of the finds. Kelt took the view that it would be quicker – and, in the end, cheaper – to fund the research itself.

"The excavation added about £50,000 to our costs," says Paddy Spinks, a director, somewhat ruefully. Post-excavation research brings the total spent to £120,000, about 2 per cent of the total production budget for Caythorpe. But for that price, the company had roughly halved the time it might have taken to gain planning permission and won the council's support.

"Our relationship with Kelt has been very good," says John Crook, senior planning officer with Humberside County Council. "The work they did before submitting the planning application did help to ensure a relatively smooth passage."

For the region's archaeologists, development was offset by the enticement of funding. "It was almost certainly the largest excavation in the area in the past year," says Cardwell. Sites were discovered which would otherwise have gone unnoticed or unfunded.

A study prepared for the official opening of Caythorpe cites the most important findings: a previously unidentified Roman settlement, dating from between 100 AD and 410 AD; the fact that this particular site was continuously occupied through the Anglo-Saxon period, to about 600 AD, set academic hearts aflutter. Until that discovery, there had been no evidence of such continuous occupation in the region.

Kelt may have had to sacrifice time and money to get Caythorpe going. However, the unexpectedly good finds, combined with the site's encouraging output – at the top end of forecasts for between 5m and 10m cubic feet a day – is already making such concerns less material.

Monkeying about with medicine

William Keeling looks at a project to export macaques from Indonesia

Off the south-west coast of tropical Java lies the 1,000-hectare Deli island. Indonesia has more than 13,000 islands but Deli is unique because of its indigenous population – 10,000 *Macaca fascicularis* monkeys.

The island is under a 25-year lease to CV Primates (Indonesia), an exporter of monkeys for use in medical research. The first shipment of 100 animals was made last December to the US. Primates aims to export a further 500 this year to the US, Japan and Europe.

By 1995, exports from Deli could total 3,000 monkeys or 15 per cent of current world demand for *Macaca fascicularis*, which account for at least 85 per cent of laboratory monkeys.

Paul Houghton, foreign partner of Primates, says the Deli island project should appease environmentalists. As the island comes on stream, the company will run down its trade in wild monkeys, which have historically provided the bulk of laboratory animals.

And Primates will consider breeding a different species of macaque, *Macaca nemistrina*, if tests confirm it as a suitable model for Aids research.

This would reduce the use of chimpanzees, an endangered species but currently judged the only suitable model for Aids research.

The monkey population on Deli is free-ranging and Houghton accepts that, other than supplementary feeding and veterinary care, there is little difference between a wild monkey and a Deli monkey.

"It's a grey area. Somehow this business is always in the shade," he says. But he hopes Deli island will make the business more respectable and, potentially, more profitable.

With the island as a captive breeding centre, Primates will screen the monkeys for diseases – and disease resistance – which would make them unsuitable for medical programmes.

An unscreened monkey fetches between $200-$300, while a screened animal can fetch six times that price.

Perhaps unintentionally, therefore, the campaign against trapping wild animals has created an opening for Primates value-added monkeys. "Within this decade the average price of these animals will be $2,000," estimates Houghton.

Animal sympathisers might take heart in knowing that captive-bred, screened, monkeys should reduce the overall number required by laboratories for research. Deli island may also be used to replenish the wild population in areas where hunting and destruction of habitat have taken their toll.

Houghton dismisses talk that using monkeys in laboratories is immoral and insists vaccine-research into diseases such as Aids, hepatitis, malaria, dengue and arterial sclerosis requires their use. He hopes the Deli island project will be a first step to attracting more medical research to Indonesia.

He also believes the project is essential if a wedge is to be driven into an emerging monkey trade cartel.

Four companies, excluding Primates, currently dominate the trade in monkeys: Siconbrec and AT Viri of the Philippines, Bioculture of Mauritius and CV Primaco of Indonesia.

Of these, Siconbrec, Bioculture and Primaco have an exclusive contract with Bausch and Lomb of the US which, in addition to manufacturing Ray-Ban sunglasses and alcohol-free mouthwash, also controls up to 70 per cent of the world monkey trade, says Houghton. Within the European Community, Houghton estimates Bausch and Lomb hold a 90 per cent market share.

Primates hopes to break this stranglehold but is currently restricted by an EC ban on the import of monkeys from Indonesia on the grounds of alleged violations of the international treaty on trade in endangered species.

Houghton believes some members of the EC regulatory body are simply against research and stresses the damage that restricting monkey imports could do to the European pharmaceutical industry.

"Those who control the monkeys control the drugs which come out on the markets," he explains.

PEOPLE

Bowater: Woodhouse takes over

Bowater's acquisition of Specialty Coatings International has prompted chairman Norman Ireland to bring forward the announcement of his retirement after six years in the job. He will be succeeded by Michael Woodhouse, a director since 1989 and former deputy chairman of Courtaulds.

Ireland had planned to announce the step with the company's preliminary results in March, having completed two three-year terms, but will now make way for the new chairman at the annual meeting in May. He remains a director of BTR, the industrial holding group of which he was formerly finance director.

Woodhouse, 65, and David Lyon, Bowater's chief executive, go back a long way. Woodhouse was Lyon's first boss when he was at Courtaulds between 1959 and 1970 and taught him much about industry. Lyon then went on via Rank Organisation and Redland to become the well-regarded chief executive of Bowater.

Woodhouse, educated at Lancing College and Queen's College Oxford, is an industrialist, unlike Ireland who is a finance man, and has spent his whole career at Courtaulds. He started there in 1951, rose to become a director in 1976 and was deputy chairman from 1986 until his retirement in 1991. He has been a non-executive director of Bowater since 1988 and is also on the Prince's Trust for Volunteers.

Michael Steyaert, a 51-year-old Belgian, has been appointed managing director of GEC Avery, the weighing equipment subsidiary of the General Electric Company. He succeeds David Scahill, who has become md of GEC Meters.

Steyaert has many years of experience managing GEC companies in mainland Europe. He will be responsible for combining the operations of Avery and Maatshappij van Berkel's Patent (Berkel) into the world's second largest integrated weighing and food processing equipment company. GEC bought a majority stake in the struggling Dutch company in 1990 and is now acquiring the remaining shares. Steyaert will remain Berkel's president.

Lloyd brothers divide and rule


Lloyds Chemists, Britain's second largest chemists' chain after Boots, has split the role of chairman and chief executive.

Allen Lloyd (above left) will remain executive chairman of the highly acquisitive group while his younger brother, Peter Lloyd (above right), who is currently director of retail operations, takes over as chief executive.

Separately Sir Eric Pountain, non-executive chairman of Tarmac, the construction group, IMI and James Beattie, was named as Lloyds' third non-executive director.

The boardroom changes, which had been foreshadowed in recent comments made by Allen Lloyd, mean that the structure of the board now follows the Cadbury recommendations.

Institutional investors are understood to have commented on the desirability of strengthening the board and splitting the chairman and chief executive's roles in the wake of Lloyds Chemists' recent rapid growth.

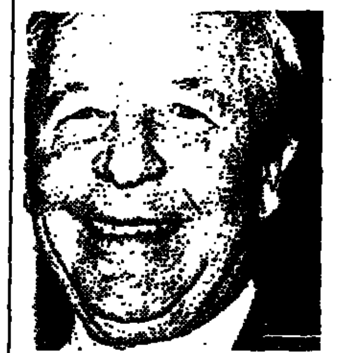
Last March Lloyds overtook its rival Macarthy.

Commenting on the changes, Allen Lloyd said: "After 20 years building the business, I believe now is the appropriate time to strengthen the board and split the roles of chairman and chief executive."

Peter Lloyd joined the group in 1978 as financial controller and was appointed to the board in 1979. For the past two years he has assumed much of the work of chief executive, leaving his brother to concentrate on broad strategic issues.

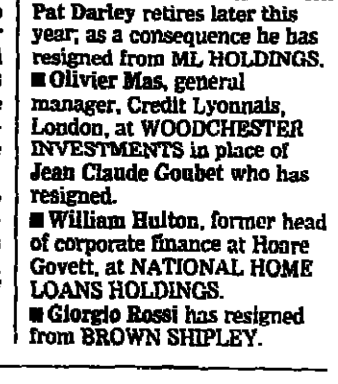
Sir Eric will join Lloyds Chemists' two existing non-executive directors, Tim Brooks and Paul Byrne, on the board and will also be a member of the audit and remuneration committees.

Non-executive directors



- **Sir Marcus Fox** (above), Conservative MP for Shipley and chairman of the 1922 Committee, at ILLINGWORTH MORRIS.
- **Martin Boase**, chairman of Omnicom, and **Michael Garner**, finance director of TI and a member of the Accounting Standards Board, at TAUNTON CIDER. **Jeremy Gough** has resigned.
- **Peter Johnson**, about to retire as chairman of Brooke Bond Foods, at NURDIN & PEACOCK.
- **Philip Chappell** has resigned from FISONS because of ill health.
- **Arthur Kent**, finance director of Leigh Interests, at REALWOOD.
- **David Sebire**, currently deputy chairman, as chairman of BRIDPORT-GUNDREY when **Pat Darley** retires later this year; as a consequence he has resigned from ML HOLDINGS.
- **Olivier Mas**, general manager, Credit Lyonnais, London, at WOODCHESTER INVESTMENTS in place of **Jean Claude Goubet** who has resigned.
- **William Hulton**, former head of corporate finance at Hoare Govett, at NATIONAL HOME LOANS HOLDINGS.
- **Giorgio Rossi** has resigned from BROWN SHIPLEY.

Fry moves up as Burmah Castrol splits role



Jonathan Fry (right), managing director of Burmah Castrol and chief executive of Castrol, will succeed Lawrence Urquhart as Burmah Castrol's chief executive on June 1. Urquhart, 57, will continue as chairman of the lubricants, chemicals and fuels group, on a non-executive basis.

Tim Stevenson, 44, currently chief executive of Burmah Castrol Fuels group, will join the main board in March and take over from Fry, 55, as chief executive of Castrol in August.

Analysts say Fry's step-up had been expected, as he had recently been taking an increasingly high-profile role. He joined the group in 1978 as planning director and won his spurs as chief executive of the chemicals group by integrating acquisitions.

He has been chief executive of Castrol since 1987, a period which has seen the lubricants business build on its strong brand identity.

Splitting the role of chairman and chief executive does accord with recommended practice in the City, but Burmah Castrol says this development had been under consideration since the group was reorganised in 1990 – before the Cadbury report was published.

Stevenson, described as "one of the group's best strategic thinkers", has been chief executive of Burmah Castrol Fuels since 1990, having previously been chief executive of Burmah Castrol Chemicals' sealants division.

Television/Clement Crisp

Out of step

"Would you trust the dancing?" This was the question George Balanchine asked a TV director when discussions were under way about recording some of his ballets. Balanchine was concerned with preserving his choreography's identity for television, and "trusting the dancing" is a central problem for anyone who transfers stage work to the screen. The cases are all too numerous of choreographer's intentions traduced by oh-so-clever camera work.

A variety of dance programmes on television during recent months – some recordings; some work specially conceived for the medium – have shown that TV often does not trust dance. (That it perpetuates a great deal of mediocre choreography and feeble performance is another, equally serious, matter.) Two fine directors of TV dance – Derek Bailey, Colin Nears – invariably provide scrupulous accounts of the choreography with which they are entrusted. Bailey's skill was very welcome in his recording of MacMillan's *Winter Dreams* on BBC2 at Christmas. Faced with a stage text which was a web of incident linking actuality and memory, he collaborated with MacMillan, and succeeded in preserving the poignant moods we knew from stage performance well and good.

But to "trust the dancing" is also to respect it in the context of history and of society, and the American series *Dancing*, which is currently clogging BBC 2 on Sunday evenings, is a horrid example of how not to present and explain dance on television. *Dancing* has such obvious and worthy intentions – its message, oh dear, concerns "the importance of dance in world culture" – that adverse comment seems like mocking the afflicted. Afflicted the series sadly is: by uncertain vision, by tedious disquisitions from chattering heads, by historical inadequacy, and by a strand of what I take to be "political correctness", so that the duller and more inconsiderable its social and ethnic concerns, the more unquestioning its acceptance of the material. (It is possible to know *too* much about shimmying posteriors in the Cook Islands, and about West African ritual.) Even to my willing gaze, the programmes are prodigiously earnest; to the less-than-dedicated, they must seem a festival of tedium.

There have been visually exciting and informative sequences. The Japanese material was strong: impossible not to enjoy the hieratic splendour of the Gagaku ceremony, or the great Kabuki performers Tamasaburo and Ennosuke. Their art responds to the camera – the close study of Tamasaburo's *onnagata* playing, femininity concentrated to its most potent essence, was magnificent – and they spoke revealingly about their craft. Fascinating, too, a section in the first programme about young Indian men in Birmingham who have revived *bhangra* dance, and have discovered in it cultural roots and the means of joyous wedding celebration. But we must set against these the footage – the mileage – about Brazilian and African dance, infinitely worthy, and flatter than Holland. How can movement so vivid in life, and so responsive to life, be made so dreary in the cause of information?

With a certain naiveté the programme-makers decided to define "dancing" on their own arbitrary and sometimes questionable terms. Military ceremonial was "choreography", as was a religious procession. Historical antecedents were sketchily evoked: comment about the court ballet of the 17th century was less than serious; discussion about the Christian religious dance tradition would have been better excised, so feeble was it. Faced with a subject vastly too large even for an eight-part series – and for what must have been a massive budget – the makers opted for something between the *Readers' Digest* and a bluffers' guide to ethnology.

Dancing fails because it has no single controlling idea of what is meant by its title, no central and inspiring spokesman. The golden example of an extended arts series is Kenneth Clark's *Civilisation*. It remains a memorably valuable display of popular education because of Lord Clark himself. He persuaded us of the passion he felt for art in many forms, and his scholarship, so lightly worn, was a delight shared with his viewers. Enthusiasm is contagious on the small screen. Today, obsessive gardeners, manic cooks, are the Ancient Mariners of the box, holding us with a glittering eye.

There have been moments in dancing when a voice, clear and authoritative, has won through: I thought Sheila Walker, an anthropologist from Texas, spoke with exemplary directness about American/African culture. But for the most part the commentary, read by Miranda Richardson, is a laundry-list of pieties. Scripts are carefully crafted from safe remarks – there seems neither desire nor time to be anything other than bland – interspersed with babble from "authorities". Too often their views have rung with special pleading; on occasion they have been inexact enough to make an aficionado wince.

The programmes have lacked style as well as intellectual rigour. There have been too many of those generalisations which, by their need to inform on basic terms, tie history in granny-knots. (Relics of my former mess-deck vocabulary surfaced when we were told that Aurora in *The Sleeping Beauty* is 16. Petipa, whose creation she was, gave her age as 20). In a programme which offered an uneasy juxtaposition between classical ballet and Kabuki drama, the statement that ballet had "retained an essential character for 300 years" set the jaw agape. One could equally question beliefs that were voiced on the value of a young dancer in the role of Aurora because "it helps the character". It takes a ballerina much of her career to learn how to dance the part. The linking of Petersburg classicism with Kabuki seemed gratuitous, and exasperatingly clever in the closing sequence which zipped with fine insensitivity between *Beauty* and Tokyo while the band played Tchaikovsky-ishly on.

As the weeks have gone by, the series has taken on the air of being assembled in committee by anthropologists and sociologists. Editorial choices have looked odd, at times wilful, and fatally quaint. There is little point in showing newly-fashioned Baroque dances – they lack historical credibility – or in stressing the work of Katherine Dunham, interesting as it was in its time, while ignoring much of Spanish dance, and whisking through twentieth century ballet as if on the big dipper.

The programme on American modern dance matched good spoken sense – Twyla Tharp, haranguing the camera, had vigorous opinions that should have made viewers realise that dancing is a lively art – with revealing film. But this was a rarity. On March 7, the final programme, introduced by the opera director Peter Sellars – hair by Stan Laurel – will be devoted to the 1990 Pacific Rim festival of "Dancing in one World". I find it the apotheosis of everything that is well-intentioned, woolly-minded and depressing about this series, as cohorts of dancers hop, skip and jump in the cause of ethnic bonhomie.

That television can excite the viewer by exploring the communicative power of dancing was seen in a brave programme last summer. In *The Far End of the Garden* for BBC 2, Ross McGibbon, a Royal Ballet dancer turned director, looked at the choreographer Jonathan Burrows. McGibbon provided a sharp-eyed portrait of Burrows and his awkward, heart-tearing movement. He trusted the dance, and we understood its nature. *Dancing*, alas, has merely clouded the issue.

Faced with too large a subject, 'Dancing' has opted for something between the 'Readers' Digest' and a bluffers' guide to ethnology

Great Kabuki performer: Tamasaburo's 'onnagata' playing, one of the visually exciting and informative sequences in 'Dancing'

Irek Mukhamedov and Viviana Durante rehearsing Kenneth MacMillan's 'Romeo and Juliet', also in the 'Dancing' programme

Theatre revivals in London

Entertaining Mr Sloane

Watching Joe Orton's *Entertaining Mr Sloane*, which will be 30 years old next year, it is easy to feel that it is a modern classic. Since it has been absent from the London stage for over 10 years, 10 years in which Orton's legend has grown, this Greenwich revival is well timed. This is still the blackest of black comedies. The themes of youthful criminality, manipulation, bisexuality, misogyny and murder still prompt an audience to appalled laughter at regular intervals. At Greenwich, however, noone as yet falls off his or her seat with laughter. Orton, even 29 years on, should be funnier.

That the director has comic gifts is not in question. He is Jeremy Sams, who is also one of our theatre's leading translators and musical arrangers. His very successful directorial debut, with *Schippel the Plumber*, occurred less than a year ago, in this same theatre. Very occasionally in that, and quite often in the rhymes of his translations, he has liked to nudge along a comedy with extra clevernesses of his own. In *Entertaining Mr Sloane*, however, he resists that. In this respect he shows a new kind of maturity. He also makes us feel something quite surprising: that Orton is not far from Pinter – and that *Entertaining Mr Sloane* is the flip side of *The Servant*.

It could be that, within another week of performances, the laughter will quadruple. (At present the violent scenes are so choreographed that you can almost hear the counts.) That the comedy sometimes hangs fire as yet is largely to do with Sams's handling of Mr Sloane himself and his landlady Kath. Ben Daniels has the right kind of promising late-adolescent musculature and body-language; the way he turns over on the settee as he refers to Eddie doing "a bit of servicing" says volumes. But he lacks Sloane's hilariously alarming mystery. He even tries to make us understand his thuggish, panicking, nervous system. Nice work, but wrong play.

Janet Dale, as Kath, is funny from the first minute – from the moment she explains that the room should have the summer curtains, which "are more of a chintz." And her beady-eyed, squashy, puglike face is a hoot – until you notice how sometimes she pulls it into consciously "funny" expressions. That she does not possess the buxom figure her lines suggest need not be a problem. But she seems not to *imagine* she is voluptuous; and she characterises Kath so sharply as a slatternly lower-class dowd that she misses her hypocritical pretensions to gentility and "ideas of morality." (And "My teeth, since you mentioned the subject, Mr Sloane, are in the kitchen in Stergene" should raise a louder guffaw.)

Remembering the first-rate performances Dale has given with such directors as Trevor Nunn (*Nicholas Nickleby*) and Nicholas Hytner (*The Madness of George III*), I imagine that another director would have elicited a more rounded and suggestive performance from her. But, as her brother Ed (whom Orton himself felt should be "the central pivot of the play"), Ian Gelder is perfect. Early on, as he finds himself encouraging Sloane to wear leather trousers without pants, he tries to laugh; the laugh becomes a choke, he goes red in the face, and there in a jiffy he shows you the whole character – bent, horny, closeted and apoplectic.

There are one or two puzzles. Sams runs Acts 2 and 3 together. Though this spoils Orton's suspense, it makes dramatic sense. But why make a momentary blackout between them? And why stress Sloane's terror, rather than his manipulation? Earlier on, preparing for her seduction of Sloane, Kath puts on some easy-listening music; and only when Act 1 ends on their sex does the record get stuck in a silent groove. But Orton's stage direction is funnier. Kath has hardly put the music on than "the needle jumps a grove, slides across record. Automatic change switches record off." God (said Blake) is in the detail; and so is Orton.

Alastair Macaulay

At the Greenwich Theatre, until March 20

Alastair Muir

Ben Daniels and Janet Dale in Orton's black comedy

'Alfie': bold, brash, dated

What a terrible lot we must have been in the 1960s: bold, brash, relatively affluent and up to the ears in sex. The late Bill Naughton's *Alfie*, set in London 1963, now looks like a period piece from an age when men referred to women as birds, the women did not object, and southern audiences were delighted by such northern frankness. The play is not as funny, nor as outrageous, as it used to be, but it still has tricks up the sleeve.

Alfie is an out-and-out womaniser, full of male vanity. Yet he is not wholly an exploiter. Most of the women are at least as eager as he is. A few of them, like Ruby – the owner of a small chain of hairdressers and a fur coat to boot – come out on top. Occasionally he even feels remorse; the suggestion is that he is at heart a sentimental fellow who just cannot keep his eyes off skirts, or indeed off *Alfie*. He is remarkably well-groomed and dressed: women want to cook for him, press his clothes, iron his shirts and even wash his floor.

In 1993 the obvious question is whether Britain really was like that 30 years ago. How does he find the money to buy his smart blazers and sports jackets, let alone own a car, when he appears to have no fixed job? At most, he is a part-time hired driver. He spends one act of the play in hospital under what must have been an excellent national health service: the nurses go to bed with him.

The questions are not answered: perhaps in those far-off days no-one thought of raising them. Even the funds for an abortion are found quite easily: £30 at 1963 prices, bargainable down to £21. This must be one of the last British plays to pretend that social and economic problems did not exist. It was acclaimed as a breath of fresh air: with hindsight it looks like pure fantasy.

Alfie, originally played by the classical actor John Neville, is now taken over by Adam Faith, a survivor not so much from the 1960s as the 1950s. Faith looks as young as ever, as though nothing has changed. He also has great charm and there is the odd good twist in the text. Some very strong supporting performances include notably Sara Richardson who triples as the doctor and two of Alfie's girlfriends. Faith directs himself; whether he realises that this ought to be a museum piece is open to doubt.

Malcolm Rutherford

Richmond Theatre until Saturday. (081) 940 0220

Opera/Richard Fairman

A second Stiffelio

The BBC relay of Verdi's *Stiffelio* from Covent Garden a couple of weeks ago will hopefully have won new friends for this important, neglected opera. On television the production's wide-screen views of life in the Protestant communities of Montana looked marvellous and the opera's concentration on the intimate issue of marital fidelity will have been brought home with extra force.

In the theatre, the Royal Opera has shown that it works just as well. The censorship that was forced upon the opera in the 19th century – the plot concerns a Protestant minister and his adulterous wife, which would have been contentious enough, if the story did not also reach its climax at a church service depicted on stage – meant that *Stiffelio* was soon forgotten. There is no tradition of performance. Few singers have it in their repertoire today.

For that reason it is worth noting that the Royal Opera fielded a second tenor in the all-important title-role on Monday. Following José Carreras as Stiffelio came Giorgio Lamberti for the last two performances of the run. Looking suitably grave, a man of the church respected and even revered, he caught well the studied outward control that is an integral part of Stiffelio the man.

As the evening continued, however, it started to look as though this was as much a sign of his own nervousness as an intended feature of the character. It is always difficult to step into a role when everybody else in the cast is well rehearsed; doubly so, no doubt, when the opera is a rare one. But Lamberti sounded unsure of himself, husbanding his resources, lifting the voice up to notes, gingerly approaching climaxes which were asking for unfettered passion.

Fortunately the power of the opera was only marginally diminished. The other singers, notably Catherine Malfitano in full, confident voice as the wife, had their roles well within their grasp. In the pit Edward Downes built up formidable dramatic tension, even if early Verdi ideally asks to burn on a shorter fuse. I note that Placido Domingo is due to take on Stiffelio in New York. The Royal Opera should consider a revival of this production for him, if it has not already done so.

Final performance February 18 (Box Office 071-240 1066)

INTERNATIONAL ARTS GUIDE

■ BARCELONA

Gran Teatre del Liceu Ballet de l'Opéra de Paris is in residence till Feb 27. This week's programme is the Nureyev production of La Bayadère Next week: Jerome Robbins evening (412 3532)

Mercat de les Flors Fri, Sat, Sun: Ines Boza and Carles Mallol in a new dance work entitled Conte Sense Titol. March 3-7: Impressions de Pelléas Peter Brook's Debussy adaptation (318 8599)

Palau de la Musica Next Tues: Salzburg Octet plays chamber music by Schubert and Beethoven (268 1000)

■ COLOGNE

Philharmonie Tonight: Anne Sophie Mutter violin recital. Next Wed: Ingo Metzmacher conducts premiere of Henze's Requiem. Feb 25, 27: Andras Schiff plays Schubert (2801)

Opernhaus Tonight: James Conlon conducts Lohengrin, with Gary Lakes, Eva Johansson, Sergei Leiferkus and Gabriele Schnaut (further performances Feb 28, March 6, 12, 20, 27). Sat: Die Fledermaus (221 8400)

■ FRANKFURT

● Tonight, Fri and Sun at Opernhaus: Steven Sloane conducts Thomas Langhoff's production of A Midsummer Night's Dream (236061). Mon at Jahrhunderthalle Hoechst: Joan Baez (3601 240)

● Tonight at Schauspielhaus: Djuna Barnes' play Antiphon. Tomorrow: Shakespeare's Merchant of Venice directed by Wolfgang Engel. Fri: Schnitzler's Undiscovered Country. Sat: Sophocles' Antigone, new production directed by Anselm Weber. Mon: late evening performance of Euripides' Cyclops (2123 7444)

■ HAMBURG

Staatsoper Tonight and Sat: Eliahu Inbal conducts John Dew's new production of Aida, with Maria Guleghina, Livia Budai, Michael Sylvester and Franz Grundheber. Tomorrow and Sun: La traviata with Nancy Gustafson. Fri: Ariadne auf Naxos (351721)

Musikhalle Sun morning, Mon and Tues evening: Gerd Albrecht conducts Hamburg State Philharmonic Orchestra in works by Bruch and Schumann, with violin soloist Nadja Salerno-Sonnenberg (343044)

Deutsches Schauspielhaus Peter Brook's Debussy adaptation Impressions de Pelléas daily till Sat (248713)

Thalia Theater Tomorrow: King Lear. Fri: Beckett's Endgame. Sun, Mon, Tues: John Osborne's The Entertainer. Next Wed: Ariel Dorfman's Death and the Maiden (322 660)

■ THE HAGUE

Dr Anton Philipszaal Tomorrow: Eduardo Marturet conducts Rheinland Pfalz State Philharmonic Orchestra in Brahms' Second Piano Concerto (Karin Lechner) and Second Symphony. Fri and Sat: Evgeny Svetlanov conducts Hague Philharmonic Orchestra in symphonies by Rimsky-Korsakov and Brahms. Sun afternoon: Arion Ensemble plays Vivaldi's Four Seasons. Next Thurs: Christian Zacharias piano recital (360 9810)

■ BONN

Oper Tonight, tomorrow, Fri, Sat, also Sun afternoon: Valery Panov's chamber ballet Impressionen. Sun evening and next Thurs: Otello. Feb 28: first night of new production of Der Freischütz (773667)

■ MADRID

Auditorio Nacional de Musica Tomorrow: Alban Berg Quartet plays works by Haydn, Lutoslawski and Ravel. Fri, Sat, Sun: Garcia Navarro conducts Spanish National Orchestra in works by Roberto Gerhard, Oscar Espla and Berlioz. Next Tues: Spanish Chamber Orchestra plays Boccherini, with cello soloist Marco Scano (337 0100)

Teatro Lirico La Zarzuela Fri and next Tues: David Parry conducts Mario Gas's production of Jenufa, sung in Czech with Spanish surtitles by a cast including Natalia Romanova, Leonie Rysanek and Jan Blinkhof (429 8225)

■ LYON

Auditorium Maurice Ravel Tomorrow: Philippe Herreweghe conducts Orchestra of Opéra de Lyon in works by Brahms and Martucci (7828 0960). Fri and Sat: Neeme Järvi conducts Orchestre National de Lyon in Mahler's Sixth Symphony (7860 3713)

■ MUNICH

Gasteig Tonight and tomorrow: Erich Leinsdorf conducts Bavarian Radio Symphony Orchestra in works by Shchedrin and Stravinsky. Fri: Anne Sophie Mutter. Feb 27, 28: Sergiu Celibidache conducts Munich Philharmonic Orchestra, with piano soloist Daniel Barenboim (4809 8614). Marek Janowski conducts a concert cycle of The Ring on Feb 25, March 1, 3, 8, with a cast including James Morris, Ute Vinzing, René Kollo, Poul Elming and Ekkehard Wlaschiha (221316)

Herkulessaal Tonight: Munich Symphony Orchestra plays works by Hartmann, Lalo and Tchaikovsky. Tomorrow: Martha Argerich and Nelson Freire. Feb 27, 28: Giulini conducts Schubert (299901)

Cuvilliés-Theater Tonight and Fri: Le nozze di Figaro with Margaret Marshall and Wolfgang Brendel. Tomorrow: Goldberg Trio and friends play chamber music by Beethoven, Brahms and Frank Martin (221316)

Theater im Marstall Tomorrow, Sat, Tues: Bavarian State Opera production of five short operas of the 1920s, including Milhaud's L'enlèvement d'Europe and Hindemith's Hin und Zurück (221316)

■ NEW YORK

THEATRE

● Phaedra: Racine's classical tragedy, translated by Margaret Rawlings, about the dilemma of a woman caught between duty and passion for her husband's son. Now in previews, opens on Sun, till March 20 (Pearl Theatre, 125 West 22nd St, 645 7708)

● Saint Joan: a National Actors Theatre production of Shaw's drama about Joan of Arc, directed by Michael Langham. Till March 14 (Lyceum Theatre, 149 West 45th St, 239 6280)

● Anna Christie: Natasha Richardson and Liam Neeson star in Eugene O'Neill's passionate drama of the high seas, directed by David Leveaux. Till Feb 28 (Roundabout Theatre, 1530 Broadway at 45th St, 869 8400)

● The Sisters Rosensweig: Wendy Wasserstein's new play, a comedy with serious undertones, about the reunion in London of three American Jewish sisters. Till Feb 28 (Lincoln Center, 239 6200)

● Oleanna: David Mamet takes on political correctness, sexual harassment and a number of other isms in this powerful drama that stirs up ideologues (Orpheum, 126 Second Ave at 8th St, 307 4100)

■ ROME

CONCERTS

Tonight in **Auditorium**: Claudio Abbado conducts Berlin Philharmonic Orchestra (686 4759). Tomorrow in **Teatro Olimpico**: Rocco Filippini, accompanied by Michele Campanella, plays cello sonatas by Debussy and Rakhmaninov (323 4890)

OPERA

Fri and Sun at **Teatro dell'Opera**: Michel Plasson conducts Renzo Giacchieri's production of Bizet's Pearl Fishers. Sat: Daniel Oren conducts Gian Carlo Menotti's production of Lucia di Lammermoor, with Kathleen Cassello, Alfredo Kraus and Giorgio Zancanaro (repeated Feb 24, 28). Mon: Luciana Serra song recital. Feb 25: Die Fledermaus. Programme subject to change at short notice (481 7003)

■ STRASBOURG

Tonight and tomorrow at **Palais de la Musique**: Theodor Guschlbauer conducts Strasbourg Philharmonic Orchestra in works by Schumann, Nielsen and Brahms, with Cho Liang Lin (8837 6777). Tues at **Théâtre Municipal**: first night of new Ballet du Rhin production of Nutcracker.

European Cable and Satellite Business TV

(all times are Central European Time)

MONDAY TO THURSDAY

Super Channel: European Business Today 0700; 22.30

MONDAY

Super Channel: West of Moscow 1200.

Super Channel: Financial Times Reports 0630

THURSDAY

Sky News: Financial Times Reports 2030; 0130

FRIDAY

Super Channel: European Business Today 0700; 1200; 2230

Sky News: Financial Times Reports 0530

SATURDAY

Super Channel: Financial Times Reports 0630

Sky News: West of Moscow 1130; 2230

SUNDAY

Super Channel: West of Moscow 1830

Super Channel: Financial Times Reports 1900

Sky News: West of Moscow 0230; 0530

Sky News: Financial Times Reports 1330; 2030

Edward Mortimer

A cause without Delors

Europe must launch a 'crusade for democracy'

There was one memorable phrase in Mr Jacques Delors' speech to the European Parliament last week. Unfortunately, it was embedded in a passage of classic Euro-speak.

After proclaiming that "democracy, subsidiarity and transparency were the European Commission's watchwords", Mr Delors went on to say: "With an eye to the next institutional reform, scheduled for January 1996, I feel obliged to point out that, had the 1991 intergovernmental conference accepted the Commission's idea of a hierarchy of norms, the subsidiarity principle could have been applied more rationally." If *that* sentence is transparent, my name's Norman Tebbit.

But in the next sentence came the memorable phrase. The Commission, said Mr Delors, "intends to conduct this crusade for democracy". Although the word "crusade" was perhaps ill-chosen, given the unfavourable connotations it has for Europe's Moslem inhabitants, something like a "crusade for democracy" is desperately needed.

Yet the Commission is ill-placed, and Mr Delors himself ill-qualified, to lead such a crusade. I do not question his democratic convictions, but his language, his public image and his past career are essentially those of a technocrat. He rose to political office in France via the civil service and a series of "technical adviser" roles. Not coincidentally, this was also the preferred role of the EC's founding father, Jean Monnet. Throughout its history the EC has been a brilliant conspiracy of Europe's governing elites. Each step forward in its history has been the work of an intergovernmental conference (IGC), at which national governments negotiated a treaty. Each successive treaty has amended or enlarged the preceding one.

The result is a text of ever-growing complexity, largely incomprehensible to ordinary people. That in itself should not matter. Most acts of national parliaments are no easier for the layman to follow without expert guidance. But we accept them as the work of people we have elected to legislate for us, and who do at least debate the acts in public.

In IGCs, by contrast, the work is done at best by ministers, more often by officials, following the conventions of diplomatic negotiation, not parliamentary debate. They meet behind closed doors. Yet the texts emanating from these bodies are much more important than most acts of national parliaments; indeed, they define ground rules within which national parliaments are obliged to operate ever after, unless they take the extreme step of withdrawing from the EC altogether.

These texts do, of course, require national ratification. But the fact that national ratification of the latest one – the

What is required is a constitution: a rule book for the European union

Maastricht treaty – is proving so difficult shows that the limit of public tolerance has now been reached. It is pure self-delusion to imagine that things would be better if only the last IGC had accepted "a hierarchy of norms". From here on a different approach is needed.

Mr Delors mentioned "the next institutional reform, scheduled for January 1996". Actually the Maastricht treaty (article N2) says nothing about January. But it does say that "a conference of representatives of the governments of the member states shall be convened in 1996 to examine those provisions of this treaty for which revision is provided". In other words, yet another IGC.

Revision of the Maastricht treaty will certainly be needed, in 1996 if not before, because whole chunks of it will be unworkable even with 12 member states, let alone the 16 the Community shall probably have by 1996. What is actually required is a constitution: that is, a rule book for the European union – something all Europeans could understand, and to which they could appeal when any of the union's governing bodies appeared to exceed its lawful powers.

Many states, including most of the EC's member states, have such a document to regulate their internal affairs. How did they get it? By electing a special assembly, called a constituent assembly, to draft it for them, and in most cases by ratifying the result in a referendum.

So that's what we need in 1996, not another IGC but a European constituent assembly, empowered to revise the treaty and present the results to member states for ratification. One way to get it would be to agree in advance that the next European Parliament will have such powers – but that may not be possible, because it would mean getting agreement before the next European elections, which are little more than a year away.

Either way, we shall not get such an assembly without the agreement of national governments, since only the member states could endow it with the necessary powers. This means we shall not get it unless there is a widespread and intensive public campaign for it throughout Europe, one so big that national governments dare not ignore it. A crusade, if you insist.

National governments will fight hard and dirty to avoid this surrender of power, equating – as always – their own power with national sovereignty, and depicting the proposed assembly as a federalist monster. But the answer to that is simple. The decisions of the assembly would not be binding on any member state until it had ratified them. I suggest this should be done by holding a national referendum in every member state on the same day; but if some states insist on using a parliamentary procedure, so be it. The important point is that democracy and transparency would have been part of the process from the start, instead of being dragged in as a half-hearted afterthought, which is what has happened with Maastricht.

There is no time to lose. The crusade should start now.

Duo preaches rewards of rigour

South Africa has accepted the need for economic reform, says Patti Waldmeir and Philip Gawith

It took the ruling National party in South Africa more than 40 years to come to its senses about apartheid, and it was the economic failure of the policy – not its moral repugnance – which finally tipped the balance.

Now, with the National party on the point of abandoning its hegemony and entering government with the African National Congress, it is keen to put behind it the peculiarly South African form of state socialism which bolstered apartheid. It fears that the ANC might otherwise decide to ape this policy, using the state to further African interests at the expense of the Afrikaner.

So at the last moment, the National party has been converted to economic discipline, to the kind of free-market policies without which post-apartheid South Africa cannot flourish. Faced with an economy which can only employ just over half of the available labour force, where productivity is low and real wages high by international standards, and where the civil service is large and inefficient, there is no alternative to economic reform.

That has been true for years, and it has not previously stopped Pretoria from denying reality. But the country's finance minister, Mr Derek Keys, finally seems to have removed the blinkers from both government and opposition eyes. With a clever slide show demonstrating the depths of the economic crisis, which he has presented to everyone from the cabinet to the leaders of the ANC, Mr Keys has concentrated the minds of politicians on the need for a rapid political settlement. More than anything else, this has driven progress in the constitutional talks between the National party and the ANC which last week yielded an outline agreement on power-sharing.

Mr Keys, with his commitment to tight fiscal policies, is a powerful ally for Mr Chris Stals, governor of the Reserve Bank, the country's central bank. Mr Stals has fought for years to instil monetary discipline. Last year, he managed to restrict money supply growth, as defined by the broad measure of M3, to within a tight target of 7 to 10 per cent.

The finance minister, who took office last May after a successful career as executive chairman at Gencor, the country's second-largest mining company, says South Africa has now entered a "sane economic era" which can lay the basis for future growth. The credit for that must be shared between Mr Keys and Mr Stals, whose uncompromising monetary policy has helped push inflation to a 15-year low. Consumer prices rose at an annual rate of just under 10 per cent in December (see chart.) There are also signs that inflationary expectations are also beginning to fall. Fund managers, for example, are expressing renewed interest in fixed-interest securities.

But Mr Keys' achievement in promoting economics to the centre of the political debate should not be underestimated. Through force of intellect and personality, he has frightened the politicians out of their previous leisurely approach to negotiations, while maintaining good relations with both sides.

More technocrat than politician (probably the main reason for his success), Mr Keys has gained the respect of the ANC. But more important, he has won over the president, Mr F W de Klerk, who alone can authorise the painful economic restructuring now being planned.

Pretoria has yet to release details of the restructuring programme, but Mr Keys has made clear that stimulating investment is the centrepiece. That can only be achieved by reducing government consumption expenditure so as to channel more of national income into private fixed investment, and by restoring investors' confidence after years of political uncertainty and high inflation.

Mr Keys has taken his reform message to every forum that will listen. He mourns the fact that gross domestic fixed investment has fallen from 26 per cent of national income in 1983 to 16 per cent now – only 1 per cent more than is needed simply to replace worn-out and obsolete capacity. That, he says, is the most important element restraining economic growth, which has been negative for each of the past three years. A modest recovery, to real growth of between 0.5 and 2 per cent, is expected this year.

Government expenditure is the obvious target to free more funds for investment. Mr Keys points out that government consumption spending has risen from about 10 per cent of national income in the 1960s to more than double that now. Over the same period, Japanese government consumption spending was held to 9 per cent of national income.

But politically, there could hardly be a worse time to restrain government expenditure. Many blacks expect a multi-racial government to make up for the deprivations of apartheid overnight. Scope for cuts is also limited, although Mr de Klerk (under Mr Keys' influence) has said that civil servants must take a large pay cut in real terms, of perhaps 3 to 5 per cent, in the coming fiscal year. Taxes will also be increased, while civil service personnel should be cut by 5 per cent by the end of March.

Nonetheless, the budget deficit, which is expected to end the financial year at more than 8 per cent of gross domestic product, will probably remain high at 6 or 7 per cent of GDP in fiscal 1993-94. Finance department officials say that to cut the deficit to 5 per cent of GDP would require drastic action, the equivalent of a 7 percentage point rise in value-added tax (now 10 per cent).

Despite the deficit, finance ministry officials point out that spending targets were largely achieved this year. They say that the deficit resulted from a revenue shortfall due to recession and severe drought, and they predict spending will show only a very modest real increase next year.

Mr Stals says he believes 1993 will set the tone for the new South Africa. If Mr Keys proves to have the courage of his convictions on curbing government spending – and crucially, if the ANC and the trade unions resist public protests against such measures – then the central bank governor predicts this "can easily become a decisive year in which the foundations will be laid for future economic development".

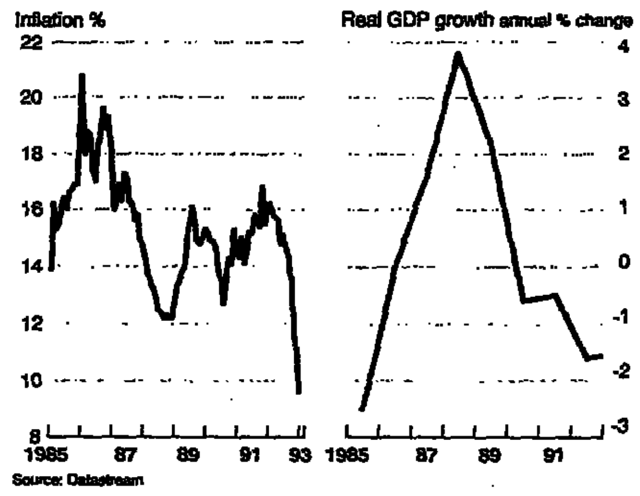
With the labour force shrinking by 2 per cent in 1991 and 3 per cent in the first half of 1992 – adding to the 40 per cent of the economically active population already without formal employment – something must be done to revive growth.

But nobody believes anything can be done quickly. Indeed, many economic commentators are sceptical that inflation will remain in single figures, as the finance minister has promised, and that economic growth will resume.

But with Mr Keys at the Finance Ministry and Mr Stals at the central bank – posts both could retain in an interim government – South Africa has the best chance in years of breaking out of what Mr Keys calls "the down-and-out trap". And unless economic success can be achieved, South African democracy will rest on fragile foundations.

Like minded: Derek Keys (left), finance minister, and Chris Stals, Reserve Bank governor

South Africa: revival through discipline



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LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Policy aims to minimise weapons destruction

From Mr Dan Plesch.

Sir, In his excellent article "A disarming achievement" (February 12), David White comments: "Surplus armoured vehicles, artillery weapons and aircraft covered by the terms of CFE have to be destroyed in the next three years." This is correct, but hides the fact that Nato is using every means at its disposal to minimise the numbers of weapons to be destroyed. Under the policy known as "Cascade", Nato countries whose forces exceed the CFE treaty-limited equipment (TLE) quotas pass on, free of charge, their surplus weapons to Nato countries with sub-TLE forces. The beneficiaries of this policy have thus far been Greece and Turkey: 916 tanks, 150 armoured combat vehicles, 72 artillery systems and 100 mortar systems cascading into Greece; and 1,057 tanks, 600 armoured combat vehicles and 71 artillery systems cascading into Turkey. This represents a massive modernisation of these nations' forces at the time when every thoughtful analyst fears they may be dragged into war with each other over Macedonia and Kosovo.

Responding to these fears the UK defence secretary, Malcolm Rifkind wrote, in a letter to Basic: "I do not see that the tragic events in the former Yugoslavia provide a reason to change the rationale for the programme." These words may well come back to haunt him.

Cascade, however, is indicative rather than exceptional. Germany is assisting in a rearmament of Hungary. No one in NATO seems to believe these policies are problematic, though concern is voiced when the former Soviet Union states do the same thing.

The scale of these Nato-blessed arms transfers far outweighs, and flatly contradicts, any tentative positive steps towards peace-keeping recently made by the alliance.

Dan Plesch,
director,
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Politics that raise questions about state of democracy

From Prof Ronald Dore.

Sir, I have just come across your leader of February 8 congratulating John Smith, the opposition leader, for learning lessons from President Clinton about being in tune with "the aspirations of ordinary people". And about time, too. Hurrah! etc.

But the aspiration of most of us ordinary people is to be free riders if we can get away with it. To have a first-rate health service and run it on peanuts. To pay the non-ordinary unemployable homeless enough to keep them from begging on the streets and turning our parks into shanty-towns, but not of our own pockets.

Democratic politics used to be thought to be about using persuasion to change other people's aspirations so as to bring them more in line with (a) one's own perception of reality and (b) one's own values.

Take current aspirations as given, as your leader does, and politics is either about clever public relations deception, or about the spendthrift piling-up of American or Italian-style fiscal deficits.

Is that the sort of democracy we really want?

Ronald Dore,
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Tomorrow – another day, another song

From Mr Mark Tracey.

Your feature, "Optimistic state of the unions" (February 15), suggested "Come A Little Bit Closer" by Fleetwood Mac as an alternative to its "Don't Stop Thinking About Tomorrow".

Perhaps more appropriate would have been their recording "Tell Me Sweet Little Lies". Or, with the ominous changes we may see in President Clinton's state of the union address to the guarantees offered prior to election, could we see the Democrats adopting as their theme tune "Promised You A Miracle" by Simple Minds!

Mark Tracey,
technical adviser,
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A much better idea than selling off the roads network

From B W Barton.

Sir, I read with interest your article, "Road network sell-off proposed" (February 12). My experience of the motorway network suggests that, on the rare occasions when the traffic is actually flowing, so fragile is this phenomenon that the tip vortices from a passing butterfly are sufficient to produce a 10-mile tailback. One toll booth would bring the whole of the country to a standstill. Has the refugee from the land of the cerebrally challenged who thought up this one ever driven round the M25?

I have an idea of how the government could raise the £2bn it requires. Charge an annual levy on every road user; £100 a year from 20m of them should just about do it. The government could call it a road fund licence and supply little round stickers to put in your windscreen as proof of payment. If it wished to charge according to usage it could (revolutionary, this one) impose a tax on fuel. About 6p a litre should raise the same amount.

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Some offer

From Mr Gordon L McNally.

Sir, Just imagine the reaction of Barclays Bank to a property company's request for an overdraft to support a five-year rent-free period given to a tenant granted a 25-five year lease! Imry Group, Barclays' own property company, evidently see this formula for a Mayfair property as inspired thinking ("Rent-free offer", February 12). How many property companies could have been saved if Barclays had supported such a formula?

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Sub-contractors victims of Dutch auctions

From Mr John W Clarke.

Sir, Andrew Taylor's story ("Builders 'forced to bid 10 per cent below cost'", February 9) pinpoints exactly the untenable situation that sub-contractors in the construction industry have been suffering for many years. The present recessionary times only make the pain more intense.

It is the case that construction companies "Dutch-auction" their offers for tender to specialist engineering contractors such as members of our association, in order to gain work at a sub-economic price. They then use the sub-contractors' money to fund their own deficits.

From the Dutch auction process they follow up by forcing through onerous contract clauses, including "pay-when-paid" terms, late overall payment, withholding of retention money and many other abuses. A recent survey of our members showed that just 257 companies are currently owed £48m in retention money alone. It is certainly time that these issues were more fully presented to a wider audience rather than the situation that has existed hitherto, where the main players have largely been talking to themselves.

It is to be hoped that the government's construction industry inquiry, long germinating, will finally begin its work and, in consultation with all parties, put an end to these practices.

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Wednesday February 17 1993

Health care in London

MRS VIRGINIA Bottomley, the UK health secretary, yesterday announced her response to the Tomlinson report on the future of London's health services. While she is stopping short of fully implementing Sir Bernard Tomlinson's recommendations, she has given the green light to much of the report. Mrs Bottomley has thus launched the first serious attempt to rationalise the capital's health services in a century, in marked contrast to the shelving of earlier reports.

London's hospitals consume 50 per cent more resources per head than those in other large cities. The internal market in the National Health Service leaves health authorities increasingly free to shop around for hospital treatment. As that freedom is exercised, health authorities in the home counties will send their patients to cheaper local hospitals rather than more expensive beds in London. It already requires a subsidy of £50m to keep open London's teaching hospitals; this could double next year unless surplus beds are eliminated.

And while London's hospitals consume a disproportionate share of the NHS budget, Londoners are ill-served by their community health services. Family doctors outside the capital often work in large practices housed in modern health centres offering a range of services, including some day surgery and other forms of treatment. In London, too many family doctors are working single-handed from lock-up premises and able to offer little by way of screening or day care. The government will give an immediate boost to primary health care in the capital, with innovative experiments to improve services locally to reduce demands made on hospitals.

Mrs Bottomley has delayed final decisions on hospital closures until the completion in May of a review into where particular specialties should be located. But she has made it clear that many of the Tomlinson recommendations will proceed. She has also sensibly accepted alternative strategies where they have made sense, as, for example with the plans to relocate the Royal Brompton and the Royal Marsden.

On the most controversial of the proposed closures, Bart's hospital in the City of London, Mrs Bottomley has deferred a final decision. Bart's has waged a brilliant campaign to remain open, using its connections in City and the media with skill. Mrs Bottomley accepts that Bart's cannot survive in its present form, but has given the hospital another six months to come up with alternative strategies for consideration.

It is understandable that ministers have adopted a risk-averse strategy in delaying the decision. With a 21-seat Commons majority and confidence at a low ebb since last year's setbacks in economic policy, ministers are as vulnerable to a parliamentary challenge on hospital closures as on pit closures. Given these constraints, Mrs Bottomley has done well to keep the momentum of rationalisation, even if Bart's has been awarded a temporary reprieve.

Help on migrants

THE UPHEAVALS causing flows of uprooted migrants into the rich countries of western Europe show little sign of abating. While war rages in former Yugoslavia, economic and political dislocation in other hard-hit parts of eastern Europe and the developing world has become a seemingly permanent source of instability.

The west should prepare itself for immigration pressures to persist at least until the end of the decade. To cope with the challenge Europe needs a strategy. Unfortunately, though not surprisingly, European interior ministers meeting in Budapest this week failed to come up with it.

The ministers agreed to toughen measures against the criminal organisations which charge exorbitant fees for transporting refugees illegally across western borders. They will set up mobile police units, and intensify information exchanges. But pleas led by the Bonn government for the rest of Europe to pool resources in providing funds and accommodation for refugee resettlement fell on deaf ears.

Five countries – Germany, Switzerland, Austria, Sweden and Hungary – have between them accommodated about 85 per cent of the more than 500,000 refugees displaced from ex-Yugoslavia since mid-1991, with roughly 250,000 of these people in Germany. In effect, these countries have now been told that it is up to them to find solutions to difficulties posed by the inflows.

This lack of European solidarity is short-sighted. Such a response fails to address a problem which is growing larger, in terms of both numbers and geographical complexity. Roughly 670,000 refugees sought political asylum last year in western Europe, up 24 per cent from 1991, of whom 440,000 entered Germany (against 27,500 for France, 24,600 for the UK, 11,700 for Spain and 2,500 for Italy). Hungary has turned back 1m people at its borders since October 1991.

European countries are following a policy of trying to minimise their exposure to refugee inflows, pushing would-be migrants back to adjacent countries. This was the approach in the resolution on "host third countries" adopted by EC ministers at the end of last year, which put the onus on dealing with refugees from Bosnia and Serbia on neighbours such as Hungary, Croatia and Slovenia.

It is also the policy adopted, for understandable reasons, by Germany, which is tightening its previously liberal asylum regulations through a change in its constitution. This, inevitably, will increase strains on Poland and the Czech Republic.

A policy which ends up concentrating refugees in countries least equipped to accommodate them is misguided. Europe at present is unable to check the pressures which are forcing refugees to flee from the east. But unless the west enacts a policy which seeks to spread the burdens of assisting and integrating them, it will share part of the blame if the potential for disorder spreads.

Bank warning

STERLING'S ignominious departure from the ERM on September 16 of last year led not to *perestroika*, but to *glasnost*. Among other changes, the chancellor has announced a target range for inflation of 1-4 per cent. He also invited the Bank of England to comment on its chances of achievement. Yesterday's first report makes sobering reading. The economy is still bumping along the bottom, while inflation is expected to bump along at the top of its range, with the risks mostly on the up-side.

The Bank's aim is to increase public understanding and thereby stimulate a more informed debate. But it is not, it insists, an independent central bank, which is why it leaves the implications for others to draw. This is a little disingenuous, for two reasons. First, the Bank's policy conclusion is evident from its emphasis on the risks to inflation of "sustained further depreciation and a faster pass-through of the depreciation that has already taken place". Second, the Old Lady of Threadneedle Street has been given a rod for the chancellor's back. The unanswered question is whether she will dare to use it when she should. On this evidence, she just might.

The report is professional in its analysis of what inflation means and of how and why it has fallen. It is equally professional in its analysis of the risks. It shows, in particular, that the government continues to have a credibility problem. This will increase the real cost of achieving its targets, which must make its determination to achieve them less credible.

The fundamental assumption underlying the exercise is that there is no long run trade off between inflation and unemployment. That assumption is fully borne out by the UK's experience over the past twenty years, during which the price level has risen six-fold and the level of unemployment five-fold.

In the short to medium term, however, things look very different. The Bank report shows that employment has fallen still more than at the comparable stage in the recession of the early 1980s. Meanwhile, both labour productivity in the economy as a whole and real earnings have risen rather more. The increase in unemployment will be durably reversed, however, only if real wages at last stop rising, just as the decline in inflation will be sustained only if the effects of depreciation on the prices of tradable goods are not passed through into wages. Pay inflation has to fall further and stay down, notwithstanding recovery and the lagged effects of depreciation.

The Bank shows that achievement of the inflation target is far from secure. In the short term, that may not matter as much as how that target will be met. The target can be overshot temporarily, provided pay inflation continues to decline. If it does not, what price the government's target for inflation? How long before it too is thrown on the dustbin of history?

John Gapper examines improved sentiment among UK building societies after a worrying year

Back from the brink of despair

There is an air of relief among British building societies as they prepare to disclose their results for last year, one of the worst in the UK housing market. Fears that the industry's foundations were threatened have receded. "I think it is a minor miracle that we have survived as well as we have," says Mr Mark Boléat, director-general of the Building Societies Association.

The slump in the housing market – which brought a wave of house repossessions and bad debts – seemed last year as if it could provoke losses among medium-sized societies, though the fears have proved unfounded. That would have lead societies into unknown territory. Some society chief executives talked of rejecting their traditional role of merging with loss-makers to save them. An erosion of public confidence appeared possible.

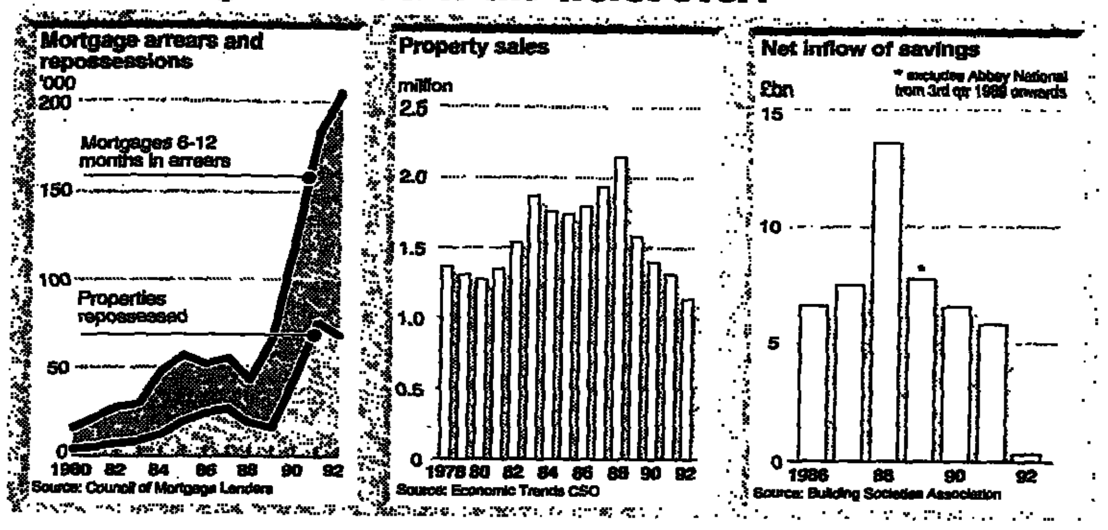
A taste of the problems inflicted on societies based in the vulnerable south of England housing market will be disclosed tomorrow when the Gloucestershire-based Chelsea Building Society is expected to report sharply reduced profits. Other large societies such as Bristol & West, which lent heavily in 1990 and 1991 to borrowers who have had difficulty meeting mortgage repayments, will follow in the next month.

Britain's exit from the European exchange rate mechanism on September 16 calmed the worst fears. The UK's 110 societies, descendants of the "terminating" societies formed in the 18th century by individuals saving to buy houses, were given a respite. The fall in base rates from 10 per cent to 7 per cent between September and December 1992 let them raise income by delaying cuts in rates on existing mortgages, while reducing savings rates promptly. "We were saved a bit by Black Wednesday," says Mr Boléat.

This windfall aside, it was a hard year for societies in the south. House prices in the region fell by 9 to 11 per cent, while base rates remained high for the first three-quarters of the year. As a result, some 68,500 properties were repossessed in Britain, compared with a tenth of that number a decade earlier. A further 352,000 owners were at least six months in arrears with their mortgages in December.

The fall in southern property values strained the insurance policies which nearly all the societies hold to insulate them against repossession losses. These protected them as long as properties stayed above 75 or 80 per cent of their original value, but the limit was often breached in the south. Premiums have risen sharply because insurers estimate that they have lost £3bn on mortgage indemnity in the past three years.

UK building societies: is the worst over?



The most chastening experience has been that of the larger societies which merged with distressed smaller societies in 1991. Consolidation through mergers has gradually reduced the number of societies – which numbered 289 in 1980 – and appeared virtually risk-free. Larger societies expanded their branch networks and market share by taking on sound mortgage assets that were well covered by reserves.

The increasing risk of mergers emerged last year. Some large societies found they had taken on loan books in a far worse state than they imagined. Cheltenham & Gloucester, the sixth-biggest society, merged with the troubled Portsmouth in June 1991. "The provisions we had to make against the Portsmouth were vastly in excess of what a reasonable person could have expected," says Mr Andrew Longhurst, Cheltenham & Gloucester chief executive.

Such experiences have prompted larger societies to be more cautious about taking on others. Mr Jim Birrell, chief executive of the Halifax – the largest society – says it is unhealthy for societies to assume they will be rescued no matter what they do. "It is wrong for individual members of an industry to think whatever problems they get into will always be taken over by others," he says.

This attitude marks a change for an industry that has supported its weaker members to preserve public confidence. Because societies hold the savings of many relatively unsophisticated investors, they are vulnerable to runs on funds if they appear weak. This is despite the fact that their average ratio of capital to assets is 11.8 per cent – well above the international minimum of 8 per cent set by the Bank for International Settlements.

Some large societies found they had taken on loan books in a far worse state than they imagined

Ms Rosalind Gilmour, the building societies commissioner who regulates the industry, has already emphasised that she sees nothing wrong in a society with strong reserves dipping temporarily into loss. She has received a chorus of support from chief executives. "There is no reason why a society which is well managed and secure, which happens to make a loss one year, should have to close its doors," says Mr Longhurst.

The prospect of more than one medium-sized society making a loss nonetheless caused some nervousness among chief executives last year. In the event, the south's problems have been balanced by the widening of margins late in the year, and by the performance of societies lending in the more resilient northern market. The Northern Rock Building Society, based in Newcastle-upon-Tyne, has already announced a 37 per cent rise in pre-tax profits for 1992.

The profits of the 25 largest societies are now expected to fall only 7 per cent on average. Yet although the immediate crisis appears to have passed – and house prices seem to be stabilising – societies in some ways face an even harder task this year. They will have to struggle to increase profits in a stagnant housing market, with about half the transactions of the late-1980s to attract fee income, and stiff competition for savers' funds.

Mr John Wriglesworth, building societies analyst at UBS Phillips & Drew, says societies are facing pressure on both sides of their balance sheets in the coming year because of the fall in base rates.

On the deposit side, it will be hard to attract retail funds because of higher yields on equity investments. They also face competition from the government, which needs to attract funds through National Savings to help finance a projected annual public deficit of £50bn. The difficulty of attracting retail deposits under these conditions is already evident. Societies only had a net retail fund inflow of £295m in 1992 compared with more than £5.8bn in the previous year.

On the lending side, they will face competition from lenders offering cheaper mortgage rates. This is because centralised lenders such as the Household Mortgage Corporation have unfettered access to wholesale funds that are now cheaper than societies' retail funds. Societies are limited to borrowing 40 per cent of funds on wholesale markets under the 1986 Building Societies Act. "Banks and other lenders will be rushing back into the mortgage market. The societies are going to be forced to squeeze their margins if they do not want to lose market share," says Mr Wriglesworth.

The last time other lenders competed so hard for mortgages was in the mid-1980s, when societies' share of mortgage lending fell from 72.1 per cent in 1986 to 50.6 per cent in 1987. But the level of housing transactions meant there was a lot more business to go around. Societies now face much lower sales: there were only 1.1m transactions in England and Wales last year, compared with 2.1m at the peak in 1988.

The fall in transactions reduces societies' profits because each purchase can attract an additional £1,000 or so in fee income on products such as life insurance. Yet only a modest recovery in house sales is expected, while the rise in arrears last year means bad debt provisions on repossessions are likely to stay high. Provisions for last year are expected to reach about £2bn, compared with £1.2bn for 1991.

The upshot is that while societies are relieved that 1992 did not match their worst fears, they face a tough climate over the next few years. Those that expected to follow Abbey National's 1989 share flotation, and abandon mutual ownership, are now more cautious. The advantages of not having to answer to shareholders during a period of subdued profitability has struck some of them forcibly.

"Mutuality has been important to us in the past year," says Mr Peter White, chief executive of the Alliance & Leicester. "We have been able to take a long-term view without having to look over our shoulders every few months." He is not the only chief executive to emerge from last year with renewed respect for societies' traditional strengths. But the year to come may hold just as stiff a test.

First step to blocking a two-tier Europe

PERSONAL VIEW

The shambles of Foreign Secretary Douglas Hurd's legal about-turn on the social chapter of the Maastricht treaty on Monday should not be allowed to confuse the issues that are at stake. Labour's amendment 27, by seeking to remove the opt-out, could only ever be the first step on the road towards the social chapter's inclusion in the treaty. Parliament should vote in favour, for two reasons.

First, the arrangement negotiated at Maastricht by John Major, the prime minister, is a legal and political mess. The opt-out creates a two-tier Europe in the social dimension which many Community experts believe to be unworkable.

Mr Major has left Britain, in this vital area, with reduced influence, diminished status and, once again, without the ability to shape the institutions that will guide the Continent.

At Maastricht, the prime minister had the opportunity to negotiate a social chapter which conformed more clearly with British desires for decentralised decision-making and a free-market approach. He passed up that chance and chose isolation instead. Mr Major's tactics may have given him something to show his sceptical backbenchers when he returned from the negotiations. He was determined to prove that he had not abandoned his predecessor's legacy. But he has robbed his country of the ability to steer the social legislation of the Community.

Second, the British public needs to understand and support the process of European integration. A single market, leading to a single European currency, will oblige British companies and employees to face up to competitive stresses and strains.

Why should those same British men and women be denied the benefits of the minimum social and employment legislation that is agreed at a European level, and which will be upheld in every other member state? And has Britain not something to learn from those of its neighbours who have shown that co-operation and partnership can lead to economic success? All of the other member states understand that Europe must have a social face.

A specific clause has already been inserted which requires legislation to respect "national practices". Another protects the position of "small and medium-sized undertakings". The chapter specifically excludes pay, the right of association and the right to strike. All of the legislation so far proposed has arisen not from the Maastricht treaty but from the Single European Act, passed by a Conservative government in the 1980s.

The Liberal Democrats will vote to improve the treaty by supporting the social chapter

Liberal Democrats do have concerns about the corporatist nature of some of the procedures for decision-making within the chapter which could by-pass the elected European Parliament. But the British government has shown no interest in improving the democratic accountability of the Community. In any case, such concerns should not outweigh the desire to see Britain "at the heart" of the Community, able to participate in all of its deliberations and to shape its institutions.

Amendment 27 does not by itself insert the social chapter in the UK's version of the treaty. It is a necessary step towards that end, but it is not in itself sufficient.

Even so, the government was claiming until Monday afternoon that the amendment, if carried, would "wreck" the treaty. Douglas Hurd attempted to raise the stakes further by threatening to ditch the treaty. He sounded petulant and bullying, unsure of his case.

Now that the government's case has been blown apart, it is clear that its problems are not technical, *but political*. On this occasion, Britain would be moving towards its European partners, who would welcome the end of an opt-out. The UK should take further steps to make this possible.

With the French elections now upon us, and with a heightened political atmosphere at Westminster, much nonsense will be spoken over the next few weeks about the social chapter on both sides of the Channel. Some will allege "social dumping". Conservatives will claim that an opt-out is Britain's only route to prosperity. Labour has persuaded itself that the chapter could return Britain to the days of collectivist industrial relations.

The truth is more mundane, but none the less important to Britain. It is in British interests for the Community to move together as 12. Yes, there are problems with the chapter. But these will only be solved with Britain inside a more democratic Community.

Last November, Liberal Democrats voted to support the Maastricht treaty in the "paving" debate. Next month, *we shall vote to* improve the treaty by supporting the social chapter.

Paddy Ashdown

The author is leader of the Liberal Democrats

OBSERVER

Cutting remarks

■ Should the world's news agencies be judged on the speed of their reporting or on the viciousness – or obscurity – of their ads?

Last week, in the FT, Reuters was boasting how it had tipped off the world that the Bundesbank was going to cut interest rates 33 minutes before the central bank's own official announcement of the February 4 policy change.

VWD, the German economic news agency, in which Reuters had a one-third interest until 1990, blasted back yesterday – in German except for the citation of the Reuters copy and with no explanation for the Brits as to who or what VWD might be – that this was not true. It was there with the news a whole 28 minutes earlier, it claimed.

Reuters says VWD's was an unsourced report; VWD, in turn, says the Reuters' piece was "just as much speculation as ours, but our report was harder". (Eh?)

VWD thinks Reuters is trying to sabotage its English language service – though why it should then couch its rejoinder in German is a bit of a puzzle. Reuters, almost a century older than VWD and able to trace its German roots back to Baron de Reuter no less, just thinks the competition is unnerved by missing out on the odd scoop recently.

As usual in the more delicious Anglo-German rows, the Bundesbank has the last word. "They can write what they like, but it is a little bit strange that they should be arguing about who was the first to start a rumour."

Back to your terminals, boys.

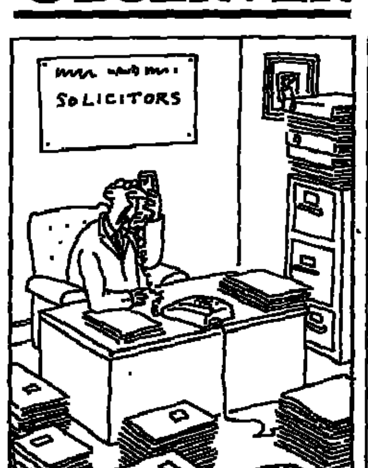
BTR puzzle

■ Now that 65-year-old Norman Ireland has decided to hand over the chairmanship of Bowater to a man four months younger, could he be freeing himself up to take over the chairmanship of BTR from his old boss, Sir Owen Green?

Admittedly, it's unlikely. BTR is Britain's 10th biggest company and under Sir Owen Green has been one of the country's most successful. However, Green turns 68 in May and has indicated unofficially that he plans to retire this year. But so far no word on his successor.

BTR has had a non-executive chairman before – Sir David Nicolson did the job for 15 years – but given Sir Owen's thoughts about non-executive directors it would be out of character if he encouraged his colleagues to look outside for his successor.

The obvious internal candidate would be BTR chief executive Alan Jackson, 56. He is said to have made a success of BTR's Hawker Siddeley acquisition. But he has only been doing his job for a couple of years, so perhaps Ireland, who is two years younger than Sir Owen, might stand in to keep the seat warm till Jackson is ready. Unlike British Aerospace chairman John Cahill, another old BTR hand, Ireland does at least have time to spare now. Just an idea.



'I charge £100 an hour for reading the Maastricht treaty'

Incredible

■ Dun and Bradstreet, the business information group, has just written to Cheltenham hotelier Patrick Roach, advising him that an important customer has just gone belly up, thereby underlining the need to keep a close eye on the creditworthiness of his clientele.

The letter, from one David Gelstharp, marketing communications manager of D&B, turns out to be a spoof, offering Country Home Hotels the chance to insure against the real thing happening by subscribing to an information service which claims to keep tabs on anything that moves in corporate Britain.

Trouble is that Roach's company itself went into liquidation at the end of 1990. Having set up a new business, which is now thriving, Roach can afford to see the funny side of the Dun and Bradstreet's botched marketing ploy.

Let's hope Dun and Bradstreet can laugh it off as easily.

Scene for Hurd?

■ Will Douglas Hurd's promotion to the government somersault team hasten his departure from politics? He turns 63 next month and as an ex-diplomat with a relatively young family he is not as comfortably off as some of his colleagues.

It's been rumoured for some time that he would retire before the next election, and past form suggests a well-connected Tory politician, sorry statesman, should have no difficulty picking up a few handsome retainers.

Lord Carrington, a former foreign secretary, went on to chair GEC, for example, and old cronies such as Lords Howe and Tebbit have picked up some nice little earners. Trafalgar House is known to be looking for a chairman, and Lonrho, Barclays and HSBC Holdings may be in the market for one in the not-too-distant future. If Hurd wants something less challenging then there are plenty of merchant banks that would welcome him with open arms.

However, the natural place for him to go is not the City, even if wants to earn some money. It would be the headship of an Oxbridge college. Lesser politicians than Hurd have gone the same way. Lord St John of Fawsley, for example, is now Master of Emmanuel College, Cambridge. So have some of the best, such as "Rab" Butler who went on to Trinity College, Cambridge.

Hurd would be at home at any high table, and the higher the better. He would also have time to write, whether memoirs or thrillers or both. His thrillers, such as Scotch on the Rocks and The Smile on the Face of the Tiger, are very good. Given time and the right environment, he might even make more money than the down-market Lord Archer.

Used notes

■ Classical music may be winning fans at an unprecedented rate, but it does no harm to give the slow learners a prod. The advertised programme for this Sunday's Baroque Masterpieces concert, at the Barbican Hall, includes: "Bach: Sleepers Awake (Lloyds Bank black horse theme)."

FINANCIAL TIMES
Wednesday February 17 1993

Britain and Germany to meet on Eurofighter funding stalemate

By David White, Defence Correspondent, in London

BRITAIN and Germany are to hold confidential talks this week to try to resolve a looming funding crisis in the four-nation Eurofighter 2000 aircraft project.

Mr Jonathan Aitken, the British defence procurement minister, will seek assurances on Bonn's share of payments in discussions over the next three days with General Jörg Schönbohm, secretary of state responsible for armaments at the German defence ministry.

The Ministry of Defence said Mr Aitken's visit to Germany, which starts today, was to attend an Anglo-German seminar in Hamburg and was not specifically linked to the Eurofighter project. However, the future of the programme is expected to figure prominently in his discussions with Gen Schönbohm, which are due to continue during a two-day visit to eastern Germany.

The discretion surrounding the talks is explained by the UK's anxiety not to embarrass German officials into making public statements which could worsen the financial stalemate.

German industry officials said that finance from the Bonn government would run out in about two months and that some payments were already overdue.

Under work sharing arrangements between Britain, Germany, Italy and Spain, each government is responsible for paying its industry for its part in the £8bn ($11.4bn) programme for development of the aircraft.

Failure by Bonn to release more money means that Daimler-Benz's Deutsche Aerospace subsidiary has to bear the burden of continuing with the project. There is concern that some German sub-contractors could face severe difficulties as a result.

A senior British official said yesterday the UK regarded the problem as one that Germany had to resolve. "It's up to them," he said.

The financial shortfall calls into question the agreement reached by the four countries last December to continue with a modified Eurofighter project, overcoming the threat of German withdrawal.

The agreement was based on cost cuts and a slowing-down of development work.

Mr Volker Rühe, the German defence minister, had already reduced Bonn's 1993 budget allocation to the project by about DM300m to DM520m ($313m). Of this, DM180m was owed to industry for work done in 1992. The remaining DM340M is not expected to cover Germany's share of work beyond April.

Prospects for raising Bonn's funding provisions have been hit by further cuts in the defence budget announced by Mr Rühe earlier this month.

The four partners have yet to complete plans for implementing the changes in the project decided in December.

Planning is complicated by the fact that Germany and Spain do not want the aircraft until 2002, two years after its scheduled entry into service with the British and Italian air forces.

Britain insists that Germany is committed to a production programme capable of meeting the earlier deadline.

EC commissioners disagree over steel imports from east

By Andrew Hill and Lionel Barber in Brussels

THE EC's trade and industry commissioners are split on how much protection to offer the Community steel industry from cheap east European imports.

Sir Leon Brittan, responsible for external trade, and Mr Martin Bangemann, industry commissioner, will try to settle their differences at today's meeting of the European Commission, which will decide outline plans of commercial and financial support to end the EC steel crisis.

The plan, which will be discussed at a special meeting of EC industry ministers next week, pits the Community's desire to save its steelmakers against its new policy of freer trade with struggling eastern economies.

Mr Bangemann warned that, without a strong support package, as many as four or five leading Community steelmakers could go bust.

But Sir Leon is worried that overreacting to manufacturers' demands for protection against non-EC imports could undermine existing free trade agreements with east European countries.

EC steelmakers are complaining that a comparatively small volume of cheap steel imported from the Czech Republic, Slovakia, Hungary and Poland has dragged down the EC market price, adding to problems caused by overcapacity and the sluggish economy. "The present price level is disastrous for everybody," Mr Bangemann said yesterday. He wants central and east European governments to impose minimum prices on exports over three years. If the countries breached those price levels, the EC would impose anti-dumping duties on steel imports. Sir Leon is likely to insist that any safeguard arrangements should be reviewed after a year.

Commissioners will also consider extending volume restrictions on Czech steel imports to other east European countries. Sir Leon has already proposed amending the Czech restrictions to allow a greater volume of imports but harsher tariffs if limits are exceeded.

The overall Commission plan will be conditional on firm commitments from EC steelmakers to cut capacity of up to 25.8m tonnes in crude steel and 17.9m tonnes in rolled products. "[Given those cuts] I can't just tell people we will let in another 50m tonnes of steel from east European countries," Mr Bangemann said. In return for the cuts, the Commission is likely to propose some Ecu240m ($283m) of aid for redundancies, and will promise to issue quarterly "recommendations" for forward production and delivery volumes in specific sectors across the whole Community.


Martin Bangemann: warning that steelmakers could fold

Purchases doubled, Page 2

Japanese companies cut product ranges

By Charles Leadbeater in Tokyo

JAPANESE manufacturers are turning their backs on one of the key ingredients in their business philosophy of the last decade – that their international competitiveness depended upon producing ever wider ranges of products at an ever faster pace.

Surveys by the Ministry of International Trade and Industry show that, in the last year, Japanese makers of electrical goods and home appliances have begun to prune product ranges and extend model life cycles in an effort to cut costs.

The moves suggest that the pace of competition US and European companies will face from Japanese manufacturers is lessening.

Most Japanese companies, hit by a combination of falling demand and rising labour and investment costs, are facing their third year of falling profits. Electrical retailers are offering huge discounts on their goods.

The change in strategy in part reflects official guidance. Miti has been urging manufacturers to trim their often bewildering array of products to cut costs.

The surveys found that the 10 leading manufacturers of televisions expect to produce 192 different types of television this March, about 10 per cent fewer than in March last year.

There will be even sharper cuts in other product ranges. Nine companies which make video recorders told Miti the number of product types would be cut by 25 to 72 in the year to March. The range of washing machines made by eight leading companies will be reduced by about a fifth to 101, while the number of different types of vacuum cleaner will be cut by almost a quarter to 79.

Much more modest cuts are planned for the range of video cameras, down 3 to 20 and refrigerators, down 9 to 138.

The only consumer electronics good to have its product range expanded is the microwave oven.

The surveys found that although the turnover of products is still rapid, the product life cycle is slowly being extended to cut engineering and development costs.

The average life cycle for televisions has been extended by two months to 14 months, while the video recorder life cycle is now about 13 months, an increase of two to three months.

Japan's empty offices, Page 4
Trade surplus up sharply, Page 4

European ministers agree new anti-immigration measures

By Nicholas Denton in Budapest

INTERIOR ministers from 35 European countries yesterday agreed to crack down on the wave of illegal immigration from east to west which is fuelling anti-foreigner violence in Germany and elsewhere.

The ministers said organised smuggling of illegal immigrants would be made a criminal offence across Europe. They also agreed that airlines, as well as land and sea carriers, should be liable to fines under new rules on the movement of illegal aliens.

The conference of ministers from east and western Europe follows pressure for co-ordinated efforts to reduce an increasing flow of illegal immigration that ministers say has fuelled xenophobia and been exploited by organised crime.

The ministers agreed to set up special police units and mobile surveillance forces to a standard model. The governments also agreed to exchange information and adopt a common code on border checks.

But ministers from several countries, including Britain, balked at the German demand for a common code on repatriation and on sharing the financial burdens of combating illegal immigration.

The outcome of the meeting yesterday displayed the limits of pan-European co-operation on paying for immigration. Interests diverge: Germany, Austria, Switzerland and Sweden have borne the brunt of the influx from eastern Europe, while their neighbours to the west are more concerned about migrants from other continents.

Germany sought yesterday to allay the fears of Poland and the Czech Republic that they would become part of a "refugee zone" if Germany turned back more asylum seekers. Last week, Bonn offered Warsaw DM55m ($33m) to finance refugee camps.

Attention will now turn to sub-regional initiatives, particularly bilateral talks with neighbouring Poland and the Czech Republic. Mr Rudolf Seiters, German interior minister, yesterday gave early March as the date for the next round of talks with Poland, and announced talks soon in Prague on a multilateral approach to illegal immigrants.

Editorial Comment, Page 17

Yeltsin in truce talks with rival over crisis

Continued from Page 1

same time, Itar Tass said that both men voiced "anxiety over the possible results" of such a referendum.

The newsagency quoted Mr Khasbulatov, during a meeting yesterday with former US president Richard Nixon, as saying that a danger of dictatorship loomed and that "only a strengthening of the principles of parliamentarism can help us." Mr Yeltsin and his ministers and advisers favour an executive presidency with a parliament confined to proposing and passing legislation.

Although Mr Yeltsin, according to the statement, "came forward with the initiative of calling an extraordinary Congress", it is precisely that forum which has been the most bitter critic of his government's actions and of his policies. The December Congress forced him to replace Mr Yegor Gaidar as prime minister with the more conservative Mr Victor Chernomyrdin, and only grudgingly agreed to a constitutional referendum.

The constitutional struggle takes place against the background of continuing economic chaos and mounting pressures to change the economic course of the country.

World Weather

		°C	°F
Ajaccio	F	13	55
Algiers	F	15	59
Amsterdam	F	8	46
Athens	R	5	41
Bahrain	S	17	63
Bangkok	C	32	90
Barcelona	S	14	57
Beijing	Sn	0	32
Beirut	C	12	54
Belfast	C	9	48
Belgrade	S	-2	28
Berlin	C	0	32
Biarritz	S	11	52
Bombay	S	31	88
Bordeaux	S	12	54

		°C	°F
Boulogne	S	8	46
Brussels	F	6	43
Budapest	C	-2	28
Buenos Aires	F	30	86
Cairo	S	17	63
Cape Town	S	23	73
Caracas	F	28	82
Casablanca †	F	18	64
Chicago †	Sn	-3	27
Cologne	C	1	34
Copenhagen	C	4	39
Corfu	C	7	45
Dallas †	C	1	34
Dublin	C	10	50
Dubrovnik	S	10	50
Edinburgh	C	10	50
Faro	S	16	61
Florence	S	7	45

		°C	°F
Frankfurt	C	0	32
Geneva	C	1	34
Gibraltar	F	15	59
Glasgow	C	10	50
Helsinki	C	1	34
Hong Kong	F	22	72
Innsbruck	F	1	34
Inverness	F	11	52
Islamabad	C	21	70
Istanbul	F	3	37
Jakarta	R	32	90
Johannesburg	F	25	77
Lisbon	S	12	54
London	C	7	45
Los Angeles †	C	12	54
Luxembourg	C	0	32
Madeira	F	18	64
Madrid	S	11	52

		°C	°F
Majorca	F	16	61
Malaga	S	15	59
Malta	F	13	55
Manila	F	32	90
Melbourne	C	19	66
Mexico City	F	27	80
Miami †	F	21	70
Milan	F	5	41
Montreal †	Sn	-9	16
Moscow	S	-8	18
Munich	Sn	-2	28
Nairobi		–	–
Naples	F	8	46
Nassau	C	24	75
New Delhi	S	29	84
New York †	F	3	37
Nice	F	11	52
Nicosia	R	12	54

		°C	°F
Oporto	S	15	59
Oslo	S	1	34
Paris	C	6	43
Prague	C	-1	30
Reykjavik	C	3	37
Rhodes	F	12	54
Rio d'Janeiro	C	33	91
Rome	S	9	48
Salzburg	C	0	32
S'Francisco †	C	10	50
Seoul	R	4	39
Singapore	C	30	86
Stockholm	F	3	37
Strasbourg	Sn	-1	30
Sydney	F	26	79
Taipei	C	21	70
Tangier	S	17	63
Tel Aviv	F	15	59

		°C	°F
Tenerife	S	20	68
Tokyo	S	14	57
Toronto †	Sn	-3	27
Tunis	C	13	55
Valencia	S	16	61
Venice	S	6	43
Vienna	C	0	32
Warsaw	S	-1	30
Washington †	R	2	36
Zurich	C	-1	30

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

THE LEX COLUMN

The price of credibility

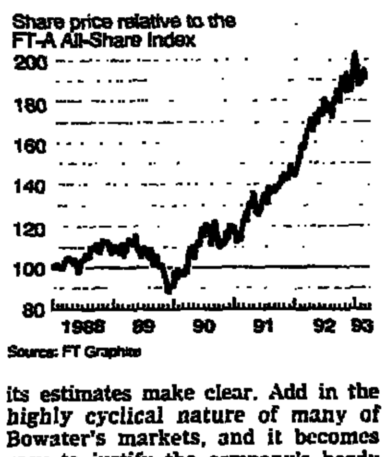
While it is helpful to have the Bank of England's detailed analysis of UK inflation, its new report only tells half the story. Without details of the Bank's view on the real economy, it is hard to tell whether it thinks the benign short term inflation outlook will prove sustainable. Given that output is severely depressed after a long recession, and that debt deflation is curbing consumption, it is small wonder that inflation is subdued. It would be more encouraging if the Bank was confidently predicting strong growth and low inflation two years from now.

Unfortunately, it seems more likely that inflationary psychology has not been broken in the UK. Despite severe deflationary forces, the underlying rate remains near the top of the government's target range. Service sector inflation, wage rises and bond yields all reflect cynicism about the prospects of price stability. Importers are steadily increasing prices to compensate for sterling's devaluation.

Under the circumstances the government's huge budget deficit is one more reason to worry: the prospect of inflation eroding the value of debt has tempted administrations before now. Perhaps the Budget will provide the long term fiscal strategy needed to give the current policy credibility. If it does not then even the justified expedient of relaxing the full funding rule might not bring much relief. Even if the supply of gilts is reduced, long yields will remain high if the markets believe that the government has caught the British inflationary disease.

FT-SE Index: 2812.2 (-33.7)

Bowater



Source: FT Graphite

Bowater

In recent years Bowater has demonstrated a deft touch in the takeover game. Its proposed £305m acquisition of the US-based Speciality Coatings International appears just the latest in a string of well-conceived and constructed deals. With the addition of SCI, Bowater will significantly strengthen its hand in the coated films and papers market, which boasts high margins and good growth prospects. It will continue to drive into higher value-added markets while disposing of its commodity-style operations along the way. Despite sterling's depreciation, Bowater has achieved a keen price for SCI, paying just over 14 times historic earnings, so the deal should enhance earnings next year.

The company also has scope to squeeze more juice from its existing businesses as yesterday's healthy profits estimates make clear. Add in the highly cyclical nature of many of Bowater's markets, and it becomes easy to justify the company's heady premium rating. Even so, shareholders may begin to blanch at the speed of progress. Yesterday's £295m rights issue will be the third in four years bringing the total of equity finance raised to £770m. In that time, the range and complexity of Bowater's businesses has multiplied greatly. The market's adoration may cool while investors convince themselves Bowater's management really does have a firm grasp on its recent purchases.

US economy

The slide in US equities following President Bill Clinton's outline proposals for reducing the budget deficit looks like the response of an over-valued market. Income tax increases now proposed go far beyond the millionaires tax promised in campaign rhetoric. Yet that should hardly come as a surprise. An energy tax and higher corporation tax were also bound to be unpopular. Still, a package which reduced the deficit by $145bn over 4 years might be expected to shave only a fraction of a percentage point from growth.

Wall Street fears that by raising taxes on the middle class now the President risks pushing the economy back into recession. The big car makers were among the hardest hit yesterday on just such sentiment. If higher corporate taxes also lead companies to rein back investment plans, the strong earnings recovery now factored into share prices could be cast into doubt.

With so much already in the price, the equity market can not be blamed for worrying. The greater danger, though, is that the long process of horse-trading between the White House and Congress leaves the deficit to grow unchecked. The Federal Reserve has indicated a deal on the deficit might leave room for lower interest rates – especially if employment growth remains sluggish. Without a deal the Fed may be more inclined to send rates higher. On a prospective yield of less than 3 per cent, US equities would then look vulnerable indeed.

Hanson

A healthy scepticism about Hanson's low tax charge has in the end proved justified. While the reasons for the rise in the tax rate to 28 per cent are as opaque as the traditionally low charge, Hanson is at least becoming a more normal company.

The outlook for Hanson's operations remains gloomy. There is little prospect of robust recovery in UK basic industries – as Ibstock's cut in brick-making capacity confirmed yesterday. Meanwhile the fall in base rates will cut interest income through the year. In the US hopes of a large federal spending package which would benefit the aggregates business are also fading. The shares have been buoyed by the company's overseas earnings and cyclical recovery prospects. That process cannot go too far, however much investors are comforted by the 5.8 per cent yield.

British Airways

Yesterday's third-quarter results from BA confirmed the extent of the short-term pressures afflicting the airline. But they also hinted at the long-term promise for shareholders able to contain their queasiness. The £80m drop in the quarter's profits largely resulted from the immediate impact of the falling pound and customers' continued reluctance to sit at the dearer end of the cabin.

But sterling's devaluation should now work in BA's favour as 60 per cent of ticket sales are made overseas while only half its costs are incurred in harder currencies. Firmer evidence of recovery should prompt a strong rise in the shares of such a highly cyclical stock. In that event, however, BA will probably tap the market to ease the financial strains of its global ambitions.

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COMPANIES & MARKETS
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INSIDE

Den Norske Bank cuts loss by 50%

Den Norske Bank, Norway's biggest bank, announced a reduction in net losses of almost 56 per cent to NKr3.07bn ($450.2m) from NKr6.95bn, and warned of heavy job cuts. Mr Ole Lund, chairman, said although losses had been cut he considered the result unsatisfactory. Foreign exchange gains doubled but net interest income fell to NKr4.675bn from NKr4.810bn. Page 14

Price cuts in fashion at Benetton

Italy's Benetton clothing group will reveal a 10 per cent rise in revenue in 1992 to about L2,500bn ($1.59bn). But the upbeat figures will again raise doubts about how long the company can continue improving in a worldwide recession. To improve competitiveness Benetton has cut prices by up to 15 per cent. Page 15

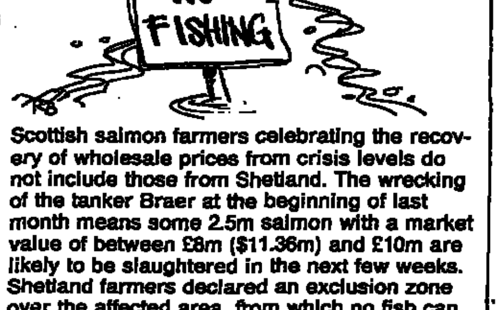
Electricity loses its spark

Tenaga Nasional, Malaysia's electricity utility, was an instant glamour stock when it was partially privatised early last year. Now local and foreign investors have become disenchanted with the company and last week in Kuala Lumpur the shares fell 7 per cent. Page 15

Fujitsu enters games arena

Fujitsu, the world's second largest computer company after IBM, has launched a multi-media video games machine. The new machine, Marty, plugs directly into a television set to display images, graphics and text stored in a compact disc. Page 16

Salmon price rally cheers some



Scottish salmon farmers celebrating the recovery of wholesale prices from crisis levels do not include those from Shetland. The wrecking of the tanker Braer at the beginning of last month means some 2.5m salmon with a market value of between £8m ($11.36m) and £10m are likely to be slaughtered in the next few weeks. Shetland farmers declared an exclusion zone over the affected area, from which no fish can be sold. Page 20

Swiss roll

In January the Swiss bourse saw turnover rise 70 per cent on the month, back up to a level not seen since early 1990. Back Page

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises		
BHF	369	+ 15
Rheinelektra	950	+ 10
Schering	736.5	+ 17.5
Zanders Feinpap	191	+ 9
Falls		
Colonia Konzern	570	- 20
Heidelb Zemt	965	- 25

NEW YORK ($)

Rises		
Coventry	22 1/8	+ 4 1/8
Healthcare Co	15 1/2	+ 4 1/4
[illegible]	21 1/2	+ 3 1/2
Falls		
Pfizer	59 7/8	- 4 7/8
Schering-Plough	59 3/8	- 4 1/8
US Healthcare	43 1/8	- 4 1/4

PARIS (FFr)

Rises		
Fonc Lyonnaise	595	+ 13

New York prices at 12.30pm.

PARIS (FFr)

CarnaudMetalbox	197.1	- 12.9
Cred Lyon (CI)	530	- 15
Credit Local Fr	367.5	- 12.5
Euro RSCG	443	- 13.5
Imm de France	780	- 20

TOKYO (Yen)

Rises		
Narcross	340	+ 70
Sanden	582	+ 12
Falls		
Chugai Mining	210	- 33
Hitachi	685	- 10
Maxim Motor	632	- 13
Toyota	1350	- 30

LONDON (Pence)

Rises			**Falls**		
Air London	[illegible]	+ 8	ADT	516	- 22
Brooke Tool	101½	+ 1½	Ball (AH)	75	- 30
Corporate Svcs	11¾	+ 1½	CarnaudMetalbox	2453	- 212
Cupid	50	+ 11	Euro Disney	923	- 20
Dalepak	274	+ 12	Glaxo	687	- 32
Enviro	468	+ 30	NatWest Bank	440	- 18
Hay (Norman)	51	+ 15	Sedgwick	172	- 5
Osprey Comms	22	+ 4	Shaw (Arthur)	41	- 4
Pittencrieff	351	+ 26	Spring Ram	129	- 5
Polyvin	118	+ 9	TI Group	283	- 11
Shield	10	+ 2	Whitbread A	457	- 17
Wheelock	338	+ 17	Willis Corroon	175	- 7

UK airline blames fall in sterling for decline but other obstacles await, writes Paul Betts

BA profits fall 80% to £20m in third quarter

BRITISH Airways' pre-tax profits fell 80 per cent to £20m ($28.7m) in the third quarter compared with £100m in the same period last year.

The sharp decline was largely caused by the significant depreciation of sterling following Britain's withdrawal from the European exchange rate mechanism last September. This alone accounted for more than half of the £80m profit fall.

The third quarter performance was at the top end of City of London expectations. Analysts had forecast earnings between a £20m profit to a £20m loss. BA shares closed 3p lower at 276p.

Although passenger traffic on scheduled services rose 7.3 per cent to 6.18m passengers, the increase fell short of the airline's capacity in the third quarter.

Sir Colin Marshall, BA chairman, also said traffic growth was concentrated on lower yielding economy passengers, with demand for high yielding first and business class tickets below last year's levels.

Passenger yields fell by 4.9 per cent, reflecting fares wars in the airline industry as well as the continuing trend of passengers trading down from first and business class to economy class.

However, Sir Colin said that the benefits of the weak pound were beginning to show through and "sound progress continues in the cost reduction programme".

But he also warned that trading conditions remained difficult and that the fourth quarter was traditionally the weakest of the year.

Group turnover rose by 4.5 per cent to £1.37bn in the third quarter compared with £1.31bn the year before. Operating profits fell 38.9 per cent to £70m from £111m.

In the third quarter, while after-tax profits dropped 51.2 per cent to £40m from £82m the previous year. Earnings per share in the quarter were 5.1p on a fully diluted basis, down 48 per cent.

Pre-tax earnings for the first nine months of the year were 13 per cent lower at £247m, compared with £285m the year before. After-tax profits for the first nine months totalled £222m compared with £224m the year before. Earnings per share were 26.5p on a fully diluted basis.

After funding capital expenditure, there was a net cash outflow of £183m in the first nine months compared with a cash inflow of £399m the year before. The group wrote off £48m of the cost of taking over Dan-Air, the former Gatwick-based airline, against reserves.

Lex, Page 12

British Airways finds the glory days are over

The squalid story of intrigue and dirty tricks against Virgin Atlantic has kept British Airways in the headlines this year. But after reporting an 80 per cent drop in its third quarter pre-tax profits, the emphasis yesterday shifted to how the world's "favourite" and most profitable airline is coping with the current harsh realities of the industry.

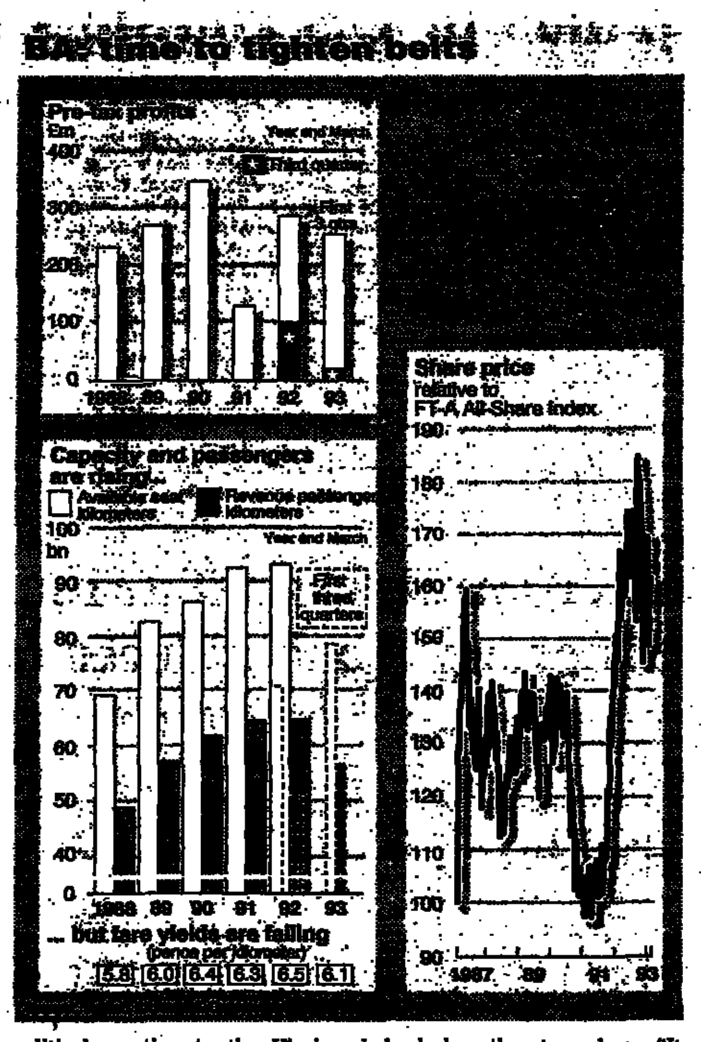
Although the fall in profits was not as bad as some analysts had anticipated, it raises the possibility that the corporate darling of the Thatcher years is losing some of its glamour.

Sir Colin Marshall, who took over as chairman from Lord King this month, blamed much of the fall in profits on the depreciation of sterling. But BA has not escaped the fierce fares wars that are cutting airline profit margins, and the down-trading which has seen first and business class passengers moving down the cabin to cheaper seats.

On the plus side, BA expects the benefits of the weaker pound on its international revenues to show through in coming months. Sterling's devaluation had an almost instantaneous negative effect on half the airline's operating costs, while the foreign revenue benefits will show through later because most tickets are booked in advance.

The airline continues to have one of the strongest balance sheets in the industry; it operates in profit at a time when most of its competitors are swimming in red ink ("I think the most important thing is that we made a profit," Sir Colin said yesterday); it has invested heavily in other airlines to strengthen its global reach; it continues to cut costs; and it believes it will be in a strong position to take advantage of the recovery when it comes.

But for all this, the 1990s are likely to be a fundamentally different decade for BA compared with the 1980s. BA was among the first airlines to address the problem of costs and to introduce aggressively the commercial techniques of retailing. It was also the first to recover from the Gulf war crisis. But now Lord King has gone and with him perhaps some of the airline's considerable political influence, which risks being further eroded by political reaction to the Virgin affair.



BA and Virgin are still trying to come to a settlement and bury the hatchet for good. The saga has left scars on BA's image and internal morale. Allegations of a fraud at BA's property maintenance department, which surfaced last weekend, have not helped clear the atmosphere. "It suggests that management controls are not all they are made out to be," said one analyst.

Although the airline industry has traditionally lived through "boom and bust" cycles, there is no guarantee that the eventual upturn in the current cycle will be as robust as previous ones. "A structural change is taking place in the revenue outlook for the industry," says Mr Chris Tarry, aviation analyst at Kleinwort Benson. "There is likely to be continued pressure on revenues and fare yields are unlikely to recover fully when the cycle comes up again."

BA's competitors, which were slow to react during the last decade, are now also scrambling to cut costs and stitch up international alliances to strengthen their market presence.

BA is also absorbing a series of investments in other airlines, including USAir, Qantas, the former operations of Dan-Air, as well as some smaller European airline ventures. With Dan-Air, the challenge will be to turn loss-making activities at London's Gatwick airport into profit. The first step has been to convert the Gatwick-based European operations into a lower-cost airline. All these operations have been grouped at the airport's North terminal and last week BA launched a £4m ($5.74m) marketing campaign to promote it.

As for the investments in Qantas and USAir, the benefits will not be immediate and could take as long as one or two years to emerge, according to some analysts. Moreover, the new Clinton administration, under intense pressure from the big three US carriers (American Airlines, United Airlines, and Delta Air Lines), may try to block the USAir deal. The question is whether BA will be able to take full advantage of the access it will gain into USAir's domestic network in America without having to give up some ground at its Heathrow base to other US carriers. "I can't see BA's protection under the existing US-UK aviation agreement lasting for ever," the head of a large European airline has said.

A further sign of the new competitive pressures facing BA came yesterday from the airline's current *bête noir*. Mr Richard Branson said he would step up his challenge to BA at Heathrow by starting a service to New York's Newark airport at the end of next month, adding a fourth long-haul destination out of BA's home base.

Thomson to make $170m charge for newspaper disposals

By Bernard Simon in Toronto

THOMSON Corporation, the Canadian-controlled publishing and travel group, is either selling or closing about one-seventh of its paid-circulation titles in North America and severely curtailing its UK free newspaper business.

Thomson said yesterday that the planned disposals and closures will result in a US$170m charge against fourth-quarter 1992 earnings, which are to be published in mid-March. A third of the write-down applies to publishing rights, circulation and goodwill at the UK free newspaper operations, comprising about 70 weeklies under the Herald & Post title.

Thomson also plans to sell or close about 30 of its 217 daily and weekly papers in the US and Canada. The company refused to identify them, except to say they are all in small communities.

Citing the steep decline in advertising during the recession without the benefit of circulation revenues, Thomson said yesterday that "we will be involved to a much lesser extent in the [UK] free newspaper business".

The company has not yet decided, however, which remaining titles will be sold or closed. Several may be merged into larger, more cost-efficient units. The process is expected to take up to a year. None of Thomson's paid-for UK regional newspapers will be affected.

Mr Gordon Paul, chief executive of Thomson Regional Newspapers in the UK, denied, however, there was any fundamental change of direction. But he said: "I do not want to pretend that we are not going to review our business."

Thomson bought most of its UK community papers in the 1980s when they were making deep inroads into the traditional newspaper market. Shoestring editorial budgets and heavy advertising by local businesses ensured strong profits in an expanding economy.

But the recession and growing competition from other media have pushed the papers into the red in recent years. Thomson said that "we don't see any improvement in the near future".

Thomson, which is 70 per cent-owned by Mr Ken Thomson, son of Lord Thomson of Fleet, posted net earnings of US$244m in the first nine months of 1992 on revenues of US$4.6bn.

Thomson shares lost 38 cents to C$14 in early trading on the Toronto stock exchange yesterday.

CGIP seeks higher CarnaudMetalbox stake

By Alice Rawsthorn in Paris

CGIP, the French holding company, confirmed it is considering raising its stake in CarnaudMetalbox, the packaging company, by buying shares from MB-Caradon, the UK building products group, but stressed that it would not buy all of MB-Caradon's 25.3 per cent holding.

Péchiney, the French state-controlled packaging group, has emerged as a potential purchaser for another part of the MB-Caradon stake. Mr Jean Gandois, chairman, said Péchiney could "not remain aloof" from the situation.

MB-Caradon announced on Monday that it planned to seek shareholders' permission to sell its stake in CarnaudMetalbox. CGIP already owns 25.3 per cent of CarnaudMetalbox and has pre-emptive rights over MB-Caradon's shares. The Conseil des Bourses de Valeurs (CBV), the market watchdog, yesterday stipulated that if CPIG raised its stake by more than 7 per cent it would be forced to mount a full bid for CarnaudMetalbox. CGIP said there was "absolutely no question" of a full bid.

MB-Caradon hopes to secure shareholders' approval to sell its CarnaudMetalbox holding, valued yesterday at £505.5m ($725m), at an extraordinary general meeting on March 4. There is speculation that MB-Caradon has already lined up a potential purchaser.

Skandia to suspend dividend after 20% fall in net asset value

By Christopher Brown-Humes in Stockholm

SKANDIA, the leading Swedish insurance group, is suspending its dividend for the first time in its history, after a fall in its net asset value for the third successive year.

The group said yesterday that its net asset value at December 31, 1992, was estimated at SKr11.5bn ($1.5bn), down 20 per cent from SKr14.4bn the previous year, and down nearly 42 per cent from SKr19.7bn in 1989.

Skandia has paid a dividend every year since it was founded in 1855, with the 1991 payout totalling SKr4 per share. The company yesterday declined to comment on its future dividend policy.

The group's shares fell SKr8 to SKr109 yesterday.

Skandia said a sharp fall in the value of its Swedish and foreign property portfolios was one of the main reasons for the decline in net asset value last year.

It also blamed losses associated with its 48 per cent stake in Svenska Kredit and its 26 per cent holding in International Credit, two credit insurance operations which collapsed in 1992.

A final factor was the impact of Hurricane Andrew in the US, which pushed up claims costs and led to a sharp deterioration in the group's international insurance result.

Mr Bjorn Wolrath, chief executive, said the group would continue with its reorganisation, which has already seen it disclose plans to halve its international non-life reinsurance operations over two years. He said it planned a further concentration of its international business operations.

"The reorganisation which we are now in the process of implementing, coupled with falling interest rates, makes me believe that we have the possibility to achieve growth once again in the net asset value of the shareholder operations in 1993," Mr Wolrath said.

He added that the group's Nordic operations were performing well and lower interest rates and rising share prices were improving the returns of the Swedish Skandia Life activities.

Skandia will announce its preliminary result on March 18. In the first half of 1992, the group's management operating result was a SKr636m loss.

Hanson rises to £236m on boost from disposal

By Maggie Urry in London

PRE-TAX profits at Hanson, the Anglo-US conglomerate, rose in its first quarter from £226m to £236m ($338m). However, the figure was boosted by a £20m disposal profit and currency movements, and underlying profits fell 10 per cent.

The biggest surprise in the figures, covering the three months to December 31, was an increase in the tax rate from 17.7 per cent to 27.5 per cent. As a result, earnings per share in the quarter fell 10.3 per cent to 3.5p. That, and a downbeat statement from Lord Hanson, chairman, took 4p off the shares to 250p.

Mr Martin Taylor, vice-chairman, said the higher tax charge was "almost entirely down to additional advance corporation tax". Last year the group moved to quarterly dividends, and as only two payments were made in the year instead of four, there was a one-off benefit in reduced ACT. That is now being reversed.

Analysts surmised that the higher than expected tax rate meant UK profits were weaker than budgeted, giving less mainstream corporation tax against which ACT can be offset. The quarterly dividend is also slightly higher at 2.85p compared with 2.75p a year ago, though the same as the last quarterly dividend announced in December.

Turnover rose 10.2 per cent to £2.3bn. Pre-tax profits included a £20m profit on the sale of Weber Aircraft, for $75m, announced in October. Excluding these, profits would have been £216m. Had the previous year's pre-tax profit been translated at the end-December exchange rate it would have been £240m.

Lex, Page 12; Details, Page 18

Framatome declines to FFr900m

By Alice Rawsthorn in Paris

FRAMATOME, the state-controlled French nuclear reactor group, yesterday reported a fall in net profits to just over FFr900m ($164.6m) last year from FFr980m in 1991 because of the continuing contraction of the nuclear reactor market.

Mr Jean-Claude Lény, chairman, told Les Echos, the French financial newspaper, that, in spite of the fall in profits, Framatome had performed better than expected last year. The group experienced a sharp fall in sales to FFr12.5bn in 1992 from FFr14.3bn in 1991.

Framatome received a substantial nuclear order, its first for some time, at the start of this year and late last month won a $120m steam generator replacement contract from Asco of Spain for its Framatome-Siemens consortium.

However, Mr Lény warned that 1993 would be more difficult than 1992 because of the continuing economic pressures.

He said he did not envisage a recovery until 1994.

Mr Lény was concerned that Framatome's position in China, one of the few buoyant markets for nuclear reactors, could be imperiled by the row between France and China over the sale late last year of 60 Mirage 2000-5 fighter jets to Taiwan by Dassault, the French state-controlled aircraft maker.

The Framatome chairman told Les Echos that French companies "have not yet stopped paying" for the damage to Sino-French relations. However, there were signs this week of an improvement when Alcatel, the telecommunications equipment division of Alcatel-Alsthom, the state-controlled industrial group that owns 44 per cent of Framatome, won $400m of contracts in China.

● Alcatal Alsthom saw net sales rise to FFr161.65bn in 1992 from FFr160.08bn in 1991. The group said it had suffered from the strengthening of the franc after the autumn currency crisis.

The level of orders was virtually stable at FFr166bn last year, against FFr165.3bn in 1991.

Bowater expands in US coatings sector

By Neil Buckley in London

BOWATER, the packaging and industrial films group, said yesterday it was buying Specialty Coatings International, the US coatings company, for $434m, increasing its strength in the coated films and papers market.

The deal is being funded by a £295m, one-for-six rights issue – Bowater's second in less than a year – but was welcomed by the stock market. Its shares gained 8p to 493p, compared with the issue price of 400p.

Mr David Lyon, chief executive, said the business offered "real complementarity. It is a huge strategic gain for us".

He added that the acquisition was expected to enhance earnings this year, and would increase Bowater's annual sales of coated films and papers to £500m, or 25 per cent of annual group turnover. It would add to Bowater's capabilities and give it access to fast-growing markets.

SCI was formerly part of James River, the US paper group, but was acquired in a leveraged buy-out by a group of New York investors in 1991.

SCI specialises in precision coatings of specialist films and paper for the imaging, graphic and computer industries.

The rights issue will be in two stages, as the deal is conditional on US approval under anti-trust legislation. The unconditional first stage will raise £96m, while the second instalment is due to be issued between March 23 and November 10, depending on US approval.

Bowater raised £333.5m from a rights issue last March to fund acquisition of the packaging businesses DRG Packaging and Cope Allman.

News of yesterday's deal was accompanied by better-than-expected estimated results for 1992, showing an unaudited £147m pre-tax profit – an 48.5 per cent increase on 1991.

Turnover is estimated to have risen to £1.57bn from £1.27bn, while earnings per share, excluding exceptional items, rose to 25.1p from 18.5p. Bowater is forecasting a final dividend of 6.65p, making a total of 11.5p, an increase of 11.1 per cent.

The company said trading in the fourth quarter had been "rather ahead" of expectations, and the performance had been maintained in January.

Lex, Page 12;
Observer, Page 11;
People, Page 8

Synthélabo takes control of UK chemicals group

By Alice Rawsthorn

SYNTHELABO, the French pharmaceuticals company that belongs to the L'Oréal cosmetics group, is expanding its interests in the UK by taking full control of Lorex Pharmaceuticals.

Lorex, which was formed in 1983 to market Synthélabo's products in the UK, specialises in the development of cardiovascular and central nervous system drugs. Until now it has operated as a joint venture between Synthélabo, with 51 per cent holding, and Searle, the US drugs company which owns 49 per cent of the shares.

Synthélabo is buying Searle's interest for an undisclosed sum and will run Lorex with Delalande, the French laboratory that it bought in late 1991. The Delalande acquisition followed six weeks after the purchase of Delagrange, another French laboratory. The two deals formed part of the expansion strategy pursued by Synthélabo under L'Oréal ownership.

L'Oréal has been expanding Synthélabo in order to reduce its reliance on its traditional cosmetics interests and to add to its expertise in research, which plays an increasingly important part in product development within the cosmetics market.

Synthélabo was one of the contributors to L'Oréal's strong performance last year.

Deficit at Finnish paper unit reduced to FM190m

By Christopher Brown-Humes

ENSO-GUTZEIT, the Finnish pulp and paper group, cut its 1992 loss after financial items to FM190m ($35.1m) from FM950m a year earlier as net sales rose 10 per cent to FM10.24bn.

"Increase in sales volume and higher export revenue as a result of the devalued Finnish markka were the main reasons behind the growth," said Mr Jukka Härmälä, Enso chief executive.

The group benefited from lower wood prices and from increased productivity at its mills and within central administration.

However, the group's recovery was held up by lower prices for many products in the face of continuing industry overcapacity. Its deficit was exacerbated by FM80m in exchange rate losses for financing items.

The group's operating profit was FM1.63bn, or 15.9 per cent of net sales. Asset sales produced extraordinary profits of FM550m, leaving the group with a profit of FM360m before adjustments and taxes, compared with a FM515m loss in 1991.

The group said FM300m in exchange rate losses on foreign currency loans connected to the unfinished Enocell pulp mill project had been entered against the project.

Huhtamäki improves 63% to FM399m

By Christopher Brown-Humes in Stockholm

STRONG demand and the benefits of rationalisation led to a 63 per cent increase in 1992 profits at Huhtamäki, the Finnish confectionery, pharmaceutical and packaging group.

The group increased its profit after financial items to FM399m ($73.8m) from FM245m, as operating earnings climbed 41 per cent to FM561m and net sales rose 9 per cent to FM6.58bn from FM6.03bn. The dividend is being increased to FM3.20 per share from FM2.70, reflecting 72 per cent growth in earnings per share to FM11.07.

A further increase in pre-tax profits is anticipated in 1993 with sales expected to exceed FM7bn.

Mr Timo Peltola, chief executive, said: "Huhtamäki's profitability has improved to a new level earlier than envisaged. Key products enjoyed a strong demand despite tight market conditions, while consolidation and rationalisation programmes boosted profitability in each business sector above targeted levels."

Finland accounts for less than 20 per cent of Huhtamäki's sales, so the group was a beneficiary of the sharp weakening of the markka during 1992. The Leaf group, one of the world's top 10 confectionary producers, saw operating profits rise 31 per cent to FM312m as net sales climbed 18 per cent to FM3.86bn.

The Leiras pharmaceutical unit lifted operating earnings by 77 per cent to FM148m on a 10 per cent increase in net sales to FM744m.

● The Finnish banking sector's combined credit losses will be about FM20bn this year compared with about FM21bn in 1992, the Finance Ministry said in an economic forecast, Reuter reports from Helsinki.

"The number of bankruptcies will stay very high and banks' credit losses [in 1993] are likely to remain at last year's level or about 20bn markka," the forecast said.

Den Norske Bank cuts loss by 50% to Nkr3.1bn

By Karen Fossli in Oslo

DEN NORSKE BANK, Norway's biggest bank, yesterday announced a reduction in net losses of almost 50 per cent to NKr3.07bn ($450.2m) from NKr6bn a year earlier, and warned of heavy job cuts later this year.

Mr Ole Lund, DnB's chairman, said that although losses had been cut he considered the bank's result unsatisfactory. DnB's improved operational performance was helped by substantial foreign exchange gains which doubled to NKr1.03bn last year from NKr551m in 1991. However, net interest income, fell to NKr4.675bn from NKr4.810bn.

Group operating income increased to NKr2.69bn from NKr2.1bn while credit losses fell to NKr4.85bn from NKr6.780bn.

DnB was forced to charge 1992 accounts with a NKr815m loss on assets compared with a charge of NKr631m in 1991. The bank explained the write-off was mainly due to loss provisions for Scandinavian Banking Partners, a consortium in which it participates with Sweden's Skandinaviska Enskilda Banken and Union Bank of Finland.

The group reduced net operating losses to NKr3.058bn from NKr5.842bn in 1991. DnB said that non-performing loans had increased to NKr11.36bn from NKr10.2bn during the course of 1992, and that by the end of the year it had repossessed property valued at NKr2.74bn and spent nearly NKr2bn on finance and operations costs for non-performing assets. "Although loan loss provisions are on the way down, the road to recovery is still long for the Norwegian corporate customer sector," said Mr Finn Hvistendahl, chief executive. According to a survey undertaken for the bank, an estimated 41.3 per cent of Norway's 88,199 companies, or some 36,400, suffered an operating loss or broke even in 1992.

An estimated 17.4 per cent operate with zero or negative equity capital, the survey revealed.

DnB's figures were weakened significantly by the UK operations, which increased net losses by more than three-fold to NKr735m from NKr207m as credit losses nearly doubled to NKr617m from NKr325m.

DnB said its shipping business operated at about break-even in 1992, but credit losses by the sector rose sharply to NKr392m from NKr179m in 1991.

Prior to last year, the bank's shipping operations had generated annual operating income of an estimated NKr500m. Group operating expenses were reduced by NKr566m to NKr4.763bn in 1992 and assets were pared back to NKr187.9bn from NKr195.8bn in 1991.

Oce drops 14% to Fl 87.3m

OCE-VAN DER Grinten, the Dutch copier and office systems maker, said net profit for the full year 1992 fell 14 per cent due to the weak economic climate and unfavourable currency exchange rates, AP-DJ reports from Amsterdam.

The company said net profit for the year slipped to Fl 87.3m ($48m) from Fl 100.9m a year earlier.

The company said it was pressured by greater competition, lower margins, and a strong guilder.

Meanwhile, net profit per share fell 16 per cent to Fl 5.49m a share from Fl 6.58 a year ago.

Oce said a dividend totalling Fl 2.25 per ordinary share, unchanged from 1991, would be paid.

Sales increased 3 per cent to Fl 2.66bn from Fl 2.58bn. This growth was due in part to a broader range of goods, which Oce had been building up over previous years to broaden its market share.

Oce noted that weakness in the US market had an unfavorable impact on Oce Office Systems, its US division.

Although interest income from leasing activities rose 52 per cent, to Fl 72.9m from Fl 47.8m, that increase was in part offset by higher financing costs, which rose 6 per cent to Fl 82.8m from Fl 76.5m.

■ BP Oil Espana, the Spanish unit of the oil company British Petroleum, has agreed to sell 30 per cent of Productos Quimicos del Mediterraneo SA (Proquimed), its chemical subsidiary to Ube Industries, the Japanese industrial group, AP-DJ reports from Madrid.

NEWS IN BRIEF

The sale will take place this year. No financial details were given.

Proquimed is Spain's sole producer of the chemical caprolactam, used in making synthetic fibers.

Ube Industries is a world leader in caprolactam production, BP Oil Espana said. It acquired Proquimed in 1991.

■ Allianz, the German insurer, said its expansion plans would be focused on east and south-east Asia in geographic terms and on lifting its position in industrial insurance, Reuter reports from Munich.

"We want to expand our basis in Asia," Mr Henning Schulte-Noelle, the managing board chairman, said. Allianz has subsidiaries in Japan, Singapore, Hong Kong, Indonesia and Thailand. "But that is not enough," he said.

■ Ericsson, the Swedish telecommunications group, has bought 30 per cent of the shares in Indelec, a Spanish mobile phones and transmission equipment maker, Reuter reports from Stockholm. No financial details were disclosed.

Telefonica de Espana, the Spanish state telephone company which owns 30 per cent of Indelec, will have to sell its stake by 1995 to comply with European Community rules.

Ericsson would then probably be able to increase its stake, according to Ericsson.

INTERNATIONAL COMPANIES AND FINANCE

Cummins forges diesel engine link with Komatsu

By Andrew Baxter

CUMMINS ENGINE of the US and Komatsu, Japan's biggest construction equipment group, yesterday announced agreement in principle to establish a co-operative business relationship in diesel engines.

The deal is one of the most important recent link-ups in the diesel industry, and represents the first significant co-operation between a western diesel engine producer and an integrated Japanese user and producer of engines.

The announcement raised questions among observers on which company would be gaining most from the arrangement, and which of Cummins' plants would be affected.

But Mr Henry Schacht, Cummins' chairman and chief executive, said the deal was both mutually beneficial and a "logical extension of the pressures being exerted on diesel engine producers and end-users." It was a deal, he indicated, that would not have been contemplated 15 years ago.

The diesel engine industry has been spending heavily to produce engines that comply with increasingly tough emissions regulations.

The two companies said yesterday they would "apply their technological expertise to the joint development of high-quality engines able to meet the standards of tomorrow's diesel engine industry".

Cummins and Komatsu have had links since the 1960s. The Japanese company was a Cummins licensee before it developed its own engines in the 1980s, while Cummins already supplies engines to Komatsu in the US, Latin America and part of the Japanese company's European production at Birtley in the UK.

But the latest relationship, which has been under discussion for several years, goes much deeper. The companies plan to review their product lines, eliminating areas of redundant investment and reducing costs by unifying certain engine models and promoting combined production.

Henry Schacht: deal is a logical extension for Cummins

As a first step, the two companies are considering producing Cummins' small B series engines in Japan, to be installed in Komatsu equipment or sold by Cummins in its regional markets.

They are also considering producing a large Komatsu engine at an unnamed Cummins facility with distribution planned through the Cummins network. In the UK, Cummins' Daventry plant would appear to have the best chance of getting the work.

Mr Schacht said both companies would benefit by being freed from the need to develop these engines. For Cummins, the deal offers increased volumes to support its technical spending and local production in Japan, while Komatsu gets access to Cummins' diesel engine expertise.

Mr Allan Rawnsley, a UK-based consultant, said Cummins had spent heavily to comply with emissions regulations. The deal with Komatsu was a low-cost route to replacing the ageing 28-litre Vee-form engines, currently made only in India.

The two companies said the new relationship would lead to joint ventures in Japan and the US. They hope to reach a definitive agreement later this year.

Price cuts are back in fashion at Benetton

The priority is to increase sales through international expansion, says **Haig Simonian**

ITALY'S Benetton clothing group will announce a 10 per cent rise in 1992 sales when the group's results are revealed next month. Sales will be about L2,500bn ($1.61bn) on earnings which will have remained static at worst.

But the upbeat figures will again raise doubts about how long the company, never shy of publicity, can continue raising turnover and earnings at a time of worldwide recession.

In spite of the downturn in consumer spending, Benetton's profits should at least equal the net L164.8bn made in 1991. In the first half of last year, net earnings climbed by 6 per cent to L92.8bn on a 6.9 per cent sales rise to L1,233bn.

The expected increase in profits has triggered hopes of a higher dividend, already boosted last year by L50 a share to L300. In 1991, shareholders were shocked when the company halved its L500 a share payout to generate extra cash at a time of continuing sharp growth.

Last year's dividend rise restored confidence in Benetton's payout policy. "Now we've established this good relationship, it's important to maintain it," hints Mr Luciano Benetton, managing director.

The company's priority is still to increase sales by expanding internationally. It has just opened its 7,047th store, this time in Cuba. Internationally remains the company's But early indications for this year suggest even Benetton's sales growth could be turning more sluggish.

Turnover growth has fallen below last year's 10 per cent level. "But we hope to pick up in the second half," says Mr Benetton.

Luciano Benetton: anticipates better sales later in the year

Benetton has cut prices by up to 15 per cent this year in order to improve competitiveness. The price cuts vary between markets and seasons. While price tags in Italy have hardly changed, prices in France, Germany and the US will be between 6 per cent and 10 per cent lower.

The decision to cut prices was made six months before the lira left the exchange rate mechanism last September and before the landmark agreement in July between employers and unions to abolish Italy's "scala mobile" (wage indexation system). Both were windfalls for many Italian manufacturers.

"We acknowledged our markets were becoming more difficult," says Mr Benetton. "So we tried to improve the appeal of our products by cutting prices."

The strategy has been conducted without putting profits at risk, he claims. Internal costs have been squeezed. "We have frozen our costs for the past two years and expect to do the same in 1993." Lower borrowing has helped too by reducing interest charges.

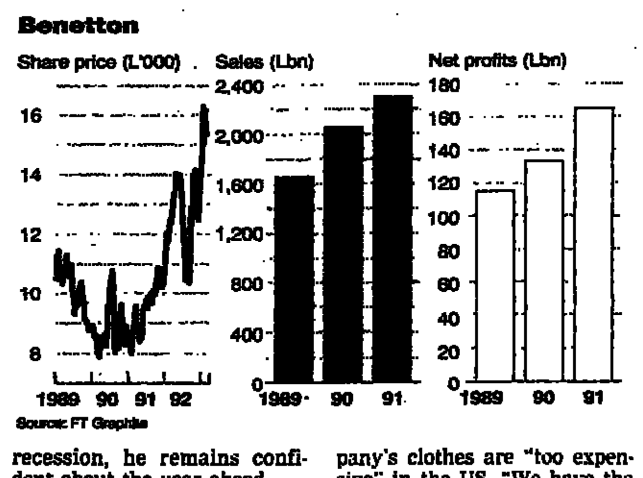
Benetton has been sending a similar pricing message to its hundreds of independent suppliers although Mr Benetton denies the group has demanded lower prices. He does admit, however, to having looked askance on suppliers pushing for price rises.

Highly-geared suppliers have been treated with particular caution, on the grounds that companies facing heavy interest charges are unlikely to be pricing as keenly as those with more solid balance sheets.

Mr Benetton acknowledges that last year's "scala mobile" deal and the lira devaluation provided unexpected benefits. The two developments have given Italian exporters an edge after years of declining competitiveness.

The labour agreement "came out better than we had budgeted," he says. And the devaluation of the lira, which has fallen by about 20 per cent against the D-Mark, has greatly enhanced competitiveness. Meanwhile, recession and oversupply mean important raw materials, such as wool and cotton, have not gone up in price in spite of the lira's fall, says Mr Benetton.

Exchange-rate factors will only come through fully in the 1993 accounts, although there will be some limited effect this year, he says. In spite of the recession, he remains confident about the year ahead.



Source: FT Graphite

Sales of the spring-summer 1993 collection, already ordered by retailers, have exceeded levels for same season in 1992 – even excluding the additional small orders that filter through later in the season. Based on such indications, Mr Benetton's expects turnover to rise by 7 to 8 per cent this year.

But even Benetton has its problems. Plans to expand in Russia, where there are now 10 of the group's stores, have gone adrift due to the severe slowing of production at the Armenian factory set up to supply the new shops.

Matters are as gloomy in the US, where Benetton is still struggling to find the right niche and pricing for its goods. Such difficulties have led to heavy losses and closures. The store network has been cut to around 300 units from a peak of 700 in 1987.

Mr Benetton admits the company's clothes are "too expensive" in the US. "We have the image of being more of a luxury good there."

Theoretically, Benetton should be isolated from such problems. Under its store licensing system, it is the retailer, rather than the manufacturer, which bears the burden of pricing policy in the high street – Benetton's job is done once retailers buy its collections. However, Mr Benetton admits the group has been hurt by the bankruptcy of several US outlets.

"With the lira having fallen to L1,500 against the dollar, I think we now have a chance with products made in Europe," he says. "We feel very commited to this market." Benetton's bruises in the US have given it vital, if costly, experience in one of the world's toughest retailing markets. "And that experience comes in very useful elsewhere," Mr Benetton adds.

Bronfman units cut dividends by half

By Bernard Simon in Toronto

EDPER Enterprises and Pagurian, two leading holding companies in the business empire controlled by Toronto's Bronfman family, have cut their quarterly common share dividends in half.

The cuts reflect a thinning stream of dividend income and shrinking cash resources in the upper layers of the Bronfman group.

Several operating companies, most notably in the property and financial services sectors, have reduced their common dividends in the past year. Bramalea, a property developer, has halted preferred dividends.

Edper, which is Mr Peter Bronfman's top public company, is reducing its dividend to 20 cents a share from 40 cents. Pagurian, the main vehicle for the Bronfmans' senior managers to participate as shareholders in the group, has cut its dividend to 7.5 cents from 15 cents.

Mr Edward Bronfman, brother of Mr Peter Bronfman, has a minority interest of 19 per cent in Edper.

The top Bronfman companies have also lost an important source of dividend income with last week's sale of the group's 38 per cent stake in John Labatt, the brewer. Labatt has recently contributed about C$32m (US$25.3m) a year to Brascan, its immediate holding company.

Honeywell profits at $29m on flat revenues

By Alan Cane

HONEYWELL, the US electronics and controls group, saw final quarter net profits slip to $29m from $102.6m in the same period a year ago. Earnings per share fell to $0.21 from $0.73.

The company said its fourth quarter figures included a $3.1m loss on early redemption of debt. Revenues in the quarter were essentially flat at $1.71bn.

For the full year, the company reported profits after tax down to $246.8m from $331,100. Earnings per share were £1.78 compared with $2.35 in 1991. Revenues fell slightly to $6.19bn from $6.22bn. Honeywell said net earnings were affected by an $8.6m charge for early redemption of $180.8m of long-term debt.

The full year figures also included a $85.1m or $0.162 a share after-tax charge for the costs of restructuring three business segments.

The full-year figures include $171.4m or $1.24 a share after-tax gain from the settlement of patent disputes with a number of camera companies.

The company's income has been boosted on several occasions over the past year through the settlement of patent disputes involving an automatic focusing technology invented by Honeywell.

Profits up at Coca-Cola bottler

By Laurie Morse in Chicago

COCA-Cola Enterprises, the world's largest bottler of Coca-Cola products, reported an increase in operating income in the fourth quarter, although special charges and other considerations led to a per share loss.

Operating profit, excluding required accounting charges, rose to $181m, up from an adjusted $121m a year earlier. For the year the operating profit came to $725m excluding one-time special charges, up from $667m. Fourth quarter sales were $1.3bn, up from $1.2bn. For the year, sales were barely changed at $5.1bn, compared with $5bn.

The bottler, 44 per cent owned by the Coca-Cola Company, underwent extensive restructuring in 1992, trimming administrative staff and decentralising operations. It said the weak US economy and unusually cool, wet weather, cut soft drink demand.

Mr Summerfield Johnston, chief executive, said: "We view a 9 per cent increase in cash operating profit as tangible evidence of the company's progress."

Abitibi-Price turns in heavy loss for year

By Bernard Simon in Toronto

LOSSES at Abitibi-Price, the Canadian forestry group, almost quadrupled last year as a result of the severe slump in the newsprint and other paper markets.

The loss from continuing operations was C$200m ($160m), or C$2.91 a share, up from C$58m, or 86 cents a share, in 1991.

The company also reported a loss of C$19m last year from businesses which have been classified as discontinued operations, compared to a C$18.2m loss in 1991.

Despite an increase of almost 10 per cent in sales volumes, revenues were almost unchanged at C$1.7bn.

Abitibi said that discounts in the north American newsprint market narrowed towards the end of the year, but this was offset by weak prices for uncoated groundwood papers and softer overseas newsprint markets.

It warned that earnings from overseas would continue to be depressed by heavy over-supply and currency devaluations in Europe.

On the other hand, a price increase was planned for north America on March 1, and operating rates at Canadian mills were expected to rise by 2 to 3 per cent this year.

CP buys out container service partner

By Robert Gibbens in Montreal

CANADIAN Pacific, the transport, resources and industrial holdings group, has bought Compagnie Maritime Belge's 43 per cent stake in their joint venture Canada Maritime – the container shipping service which operates between Montreal and several European ports.

The price of the deal was not disclosed, but CP also acquired two older container vessels from CMB.

Canada Maritime was formed by CP and CMB in 1984 in a broad consolidation of north Atlantic container services following the severe 1982-83 recession.

Container rates hit new lows last year but north American shipping lines have pushed container rates up by 10 to 15 per cent and this has improved returns.

Eastbound traffic is firming, say shipping sources, but westbound is still very depressed.

The Canada-Europe container service will continue to be dominated by Cast North America and Canada Maritime, now fully owned by CP.

Placer Dome benefits from output increase

By Bernard Simon in Toronto

PLACER Dome, the Vancouver-based gold producer, more than countered a lower gold price last year with productivity improvements at its mines in north America and rising output from low-cost properties in Papua New Guinea and Chile.

Net earnings from continuing operations were US$111m, or 47 cents a share, compared to a $242m loss, or $1.02 a share, in 1991. The 1991 loss was due to hefty writedowns totalling $344m on various mining assets, notably the Mt Milligan property in British Columbia.

Revenues rose to $1.09bn from $1.02bn. Long-term debt was cut to $69m at the end of 1992 from $250m a year earlier.

Cash and short-term investments currently total $477m.

Placer's share of gold output at its mines totalled 1.95m ounces, up from 1.68m ounces in 1991. Average cash production costs fell by 17 per cent to $186 per ounce, offsetting a 7 per cent drop in the average price received.

Placer has interests in 17 mines in north and south America and Australasia. The biggest producer last year was its 30 per cent-owned Porgera mine in Papua New Guines, where Placer's share of the output totalled 445,500 oz at a cash cost of $92 an oz. Porgera also accounted for the biggest increase in output in 1991.

The company announced that Mr Robert Franklin is replacing Mr Fraser Fell as non-executive chairman.

AT&T takes $7bn charge

By Patrick Harverson in New York

AT&T, the US communications and computer group, announced yesterday that it will take a $7bn charge in the first quarter of this year to comply with a new standard of accounting for the post-retirement health benefits of employees.

The size of the charge was at the high end of the company's own forecast, which had originally put the post-tax liability of the accounting change at between $5.5bn and $7.5bn. However the announcement had no discernible impact on AT&T's share price, which fell $⅝ to $53¼ in a broadly weaker stock market.

AT&T said that the accounting change would have no effect on its present and future retirement health benefits, nor would it affect the company's cash flow, its long-term earnings objectives or its ability to pay for dividends, research and development and capital expansion programmes.

Metall buys Minnova

By Robert Gibbens

METALL Mining, the Canadian mining arm of Germany's Metallgesellschaft group, is buying out the 49.6 per cent minority holding in Minnova, a Canadian exploration and development company, in a deal worth C$115m (US$90.8m).

Metall will offer one of its own shares and C$4 cash for each Minnova share it does not own. At Monday's market price for Metall, the offer is worth about C$16.12 per Minnova share, representing a premium of about C$2 over the market price of Minnova shares. Metall also assumes C$65m of Minnova convertible debentures.

Metall bought 50.4 per cent of Minnova from Noranda for C$131m in October.

Sparkle goes out of glamour stock

Kieran Cooke reports on Malaysia's partially privatised power utility

WHEN Tenaga Nasional, Malaysia's electricity utility, was partially privatised early last year, it became an instant glamour stock.

Within hours, shares were changing hands at nearly double the initial offering price of M$4.50 (US$1.70). Tenaga quickly became Malaysia's biggest listed company, with a market capitalisation of nearly M$30bn (US$11.4bn), accounting for more than 20 per cent of total stock market value.

But the lustre has gone out of Tenaga. Both local and foreign investors have become disenchanted and on the Kuala Lumpur stock market last week the shares fell 7 per cent, reducing the total market value of the company from M$28.35bn to M$26.4bn.

The reasons for Tenaga's decline range from acts of God to management deficiencies and political in-fighting. Things started to go wrong on September 29 last year, when the lights went out through most of peninsula Malaysia.

Power in many areas was restored only after several days. Preliminary estimates of industrial losses due to the blackout came to more than M$200m. Mr Samy Vellu, the energy minister, blamed the power failure on a freak lightning strike – an "act of God".

Not everyone, and that includes some government ministers, was satisfied. While about 25 per cent of Tenaga is in private hands – with a fifth of that controlled by foreign fund managers – the company is still under the control of the ministry of finance.

Critics say Tenaga is still bureaucratically run, with little accountability in many areas and too much government interference. The company also finds itself caught up in high-level political arguments between Mr Vellu and other cabinet ministers.

There has been anger that a full report on the September 29 blackout has still not been made public. Recent nervousness about Tenaga has been caused by renewed blackouts in many areas.

But the company says that essential maintenance and building work means that a certain amount of power shedding will continue for another year. It says peak demand in Malaysia's fast growing economy has been greater than anticipated and has called on heavy industrial users to adjust working hours to off-peak periods.

This suggestion does not seem to have gone down well with industrialists or with some members of the government. Mrs Rafidah Aziz, who, as minister of trade and industry, deals with foreign investors in the country, describes as "intolerable" the number of complaints she has received.

"Tenaga's current performance is not up to the mark," she says.

Rafidah Aziz: number of complaints 'intolerable'

A system of rebates has been proposed to compensate industrialists. But some companies say they are investigating legal action against Tenaga. Most worrying for Tenaga and its future prospects have been suggestions that other companies be invited to participate in running the national grid, now solely in its hands.

Independent power producers have already been invited to build, operate and own a number of power stations in Malaysia. The first such project, a joint project between National Power of the UK and a local company, is due on stream by 1995.

Analysts point out that Tenaga has good prospects – if present difficulties can be overcome and if the government does not decide to drastically limit the scope of its activities. Tenaga made pre-tax profits of M$1.41bn in the year ended August, 1992, up from M$702m previously. It has gained not only from the massive infusion of funds from its partial privatisation in May last year but also from the appreciation of the Malaysian dollar against the US dollar, which has resulted in a reduction in the company's dollar loan portfolio.

Tenaga has entered into several projects with UK companies; it is likely to benefit substantially from the fall in the value of sterling, particularly in the purchase of high cost electricity generating equipment.

Tenaga is confident that once the present problems are overcome, medium and long term prospects are bright. "Tenaga is a good investment in the long term," says Dr Ani Arope, Tenaga's executive chairman. "In a rapidly industrialising economy like Malaysia's it is even more attractive because electricity demand has not peaked and will continue to pace the GDP growth for many years ahead."

But public and government patience is wearing thin. "The power crisis is a priority for the government," says Mrs Aziz. "If Tenaga cannot meet demand, then the private sector will have to come in. Tenaga will have no more monopoly of electricity supply."

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on 17.02.93: Pool purchase price £/MWh	Firm Prices for Trading on 20.01.93: Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.09	18.72	18.72
0100	20.82	21.23	22.64
0130	25.55	27.96	29.64
0200	25.55	27.96	29.58
0230	20.95	21.23	22.59
0300	20.95	21.23	22.59
0330	18.08	18.51	18.51
0400	18.02	18.36	18.36
0430	17.56	17.67	17.67
0500	17.54	17.60	17.60
0530	18.08	17.63	17.63
0600	18.08	17.63	17.63
0630	18.08	17.69	17.69
0700	21.34	18.36	18.36
0730	26.99	21.45	22.85
0800	26.99	21.45	22.84
0830	21.91	21.67	23.06
0900	21.94	21.67	23.09
0930	22.12	22.40	23.81
1000	24.24	23.45	24.90
1030	24.24	23.45	24.90
1100	24.24	22.40	23.81
1130	24.24	22.40	23.81
1200	21.94	21.67	23.05
1230	21.94	22.40	23.90
1300	21.94	22.40	23.81
1330	21.94	22.40	23.82
1400	18.63	21.67	23.06
1430	18.47	21.67	23.06
1500	18.47	21.67	23.06
1530	18.50	19.16	19.16
1600	18.50	21.69	23.09
1630	21.94	24.80	26.55
1700	21.94	30.96	33.34
1730	23.62	31.22	33.51
1800	27.00	30.44	32.57
1830	27.00	28.40	30.01
1900	27.00	24.37	25.79
1930	26.99	22.82	24.19
2000	25.30	22.61	24.19
2030	21.94	21.45	22.80
2100	21.64	21.45	22.80
2130	21.43	21.45	22.87
2200	21.43	21.45	22.81
2230	21.43	18.36	18.36
2300	18.06	17.66	17.66
2330	17.56	17.60	17.60
2400	17.56	17.57	17.57

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.66/MWh becomes 1.666p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. [illegible] ©NGC Settlements Limited

Kawasaki Steel warns of loss due to US shake-up

By Charles Leadbeater in Tokyo

KAWASAKI Steel yesterday warned that it was heading for a consolidated loss this year, mostly because of difficulties with its US joint-venture, Armco Steel.

The warning underlines the mounting costs which Japanese manufacturing companies face from their aggressive expansion in the late 1980s.

Most of Japan's leading steel makers formed joint ventures in the US in the second half of the 1980s, partly to supply Japanese car manufacturing plants which were being set up in North America.

The US steel industry welcomed the injection of Japanese capital and technology to help them out of a structural crisis. During the late 1980s, low interest rates in Japan meant many Japanese companies were able to raise funds for international expansion extremely cheaply.

However, it is now thought that most Japanese steelmakers are losing heavily on their US joint ventures, which have required substantial investments in technology and management to compete effectively with low cost mini-mills.

Kawasaki Steel, which is engaged in an extensive restructuring of domestic plants, said it expected to make an after tax loss of Y29bn ($240m) for the year ended March. It made a net profit of Y14bn in 1991-1992.

The company's unconsolidated pre-tax profit is expected to fall 66 per cent to Y18bn on sales of Y1,320bn, down 4.2 per cent.

The consolidated loss is mainly due to the cost of restructuring Armco Steel, a joint venture with Armco, the US steel maker.

The joint venture declared an extraordinary loss of $300m after writing off some of its production facilities in an attempt to modernise production and reduce costs.

Japanese corporations downgraded by Moody's

By Robert Thomson in Tokyo

THE senior ratings of Mitsubishi Corporation and Marubeni Corporation, the leading Japanese trading houses, were downgraded yesterday by Moody's Investors Service, the ratings agency. Moody's said both corporations took on extra risk through diversification programmes in the late 1980s.

Mitsubishi's rating was lowered from Aa3 to A1, while that of Marubeni was downgraded from A2 to A3. This means both companies retain investment-grade ratings. But the downgrading may mean they face slightly higher costs in raising new funds.


Shinroku Morohashi: solid progress under his leadership

The downgrading of Mitsubishi comes as a surprise in Japan. Under the stewardship of Mr Shinroku Morohashi, its chairman, it is regarded as one of the country's most solid institutions, although net profits are expected to be halved for the year ending March.

Moody's suggested its core trading business had been eroded through increased competition, prompting Mitsubishi to diversify into satellites, cable television, and a broad range of direct investments.

Similar observations were made about Marubeni, though Moody's noted the downturn in international property had affected its development and construction businesses.

Fujitsu launches multi-media games machine

By Michiyo Nakamoto in Tokyo

FUJITSU, the world's second largest computer company after International Business Machines, took a bold first step into the consumer electronics market with the launch yesterday of a multi-media video games machine.

The new machine, which is a multi-media CD-ROM player, plugs directly into a television set to display images, graphics and text stored on a compact disc.

It will also play conventional CDs and comes with a floppy disc drive to display material compiled on a PC.

The new machine, which goes on sale in Japan this month and will be known as Marty, marks a diversification for Fujitsu into the highly competitive consumer electronics market.

It also reflects the blurring of borders between the computer and consumer electronics industries with the spread of digital technology.

Computer manufacturers in the US and Japan have been working to develop multi-media technology, which combines data, graphics, text, video and sound, not only as an added feature for PC users but as a means to enter the consumer market.

Dataquest, the high technology consultancy, expects the multi-media market to be worth $1.6bn by 1996.

For Fujitsu, the move is a logical step after the launch of its multi-media PC, FM Towns, four years ago.

The consumer machine will run software for FM Towns in addition to titles which will be launched specifically for the new consumer machine. Fujitsu plans to have 300 software titles available by the end of March and 400 by the end of the year. It aims to sell 200,000 of the new machines in the first year.

However, Fujitsu's foray into the home entertainment and education market faces substantial hurdles.

The market already appears crowded, with Nintendo and Sega, the video games manufacturers, maintaining a firm grasp on the hearts and minds of young games players. The two companies have a distinct advantage over newcomers in the large number of installed machines and the popularity of their games titles, and have been moving aggressively into new software developments such as games using real film footage.

Meanwhile, other companies, such as Philips, the Dutch consumer electronics manufacturer, and Tandy of the US have launched their own CD-based multi-media entertainment machines that aim to provide more than video games.

Fujitsu does not have any experience of marketing consumer products. The company has set up a consumer products division in its personal business department, and plans to market the new machine not only in electronics and computer stores, but also through retailers such as department stores, supermarkets and electrical goods stores.

Although Fujitsu has attempted to differentiate its new machine from conventional video games machines by emphasising its educational potential, there is little evidence to suggest that the appeal of educational material could provide a strong boost to sales.

For Fujitsu, the move is a gamble. In the six months to September 1992, it posted its worst results, turning in a loss of Y7.5bn ($62m) on a consolidated basis against a profit of Y30.9bn previously.

Scitex ahead 22% on strong sales growth

By Hugh Carnegy in Jerusalem

SCITEX, the Israeli maker of colour electronic pre-press systems, yesterday reported a net profit of $122.3m in 1992, a 22 per cent increase over the previous year, as strong growth in both the US and Europe took sales to $550m.

Although profit growth was less than in the three previous years in percentage terms, the results further entrenched Scitex, which is traded on the New York over-the-counter market, as the star of Israel's successful high-tech industry.

Mr Giora Bitan, finance director, said demand for Scitex's range of computerised products for the publishing, printing and graphic design industries had grown despite a second year of low or negative overall growth in the company's main markets in north America and western Europe.

He said half of 1992 sales were to new customers. The trend of ungrading technology in these sectors was not exhausted.

Scitex said fourth-quarter sales of $153m were 31 per cent ahead of the same 1991 period and almost one-third were accounted for by products introduced in 1992.

Over the year, sales to the "mid-range" market of small print houses, a key growth target, reached $69m, compared with $25m in 1991.

International Paper of the US bought an 11 per cent stake in Scitex during the year for more than $200m. This helped leave Scitex with a year-end cash balance of $325m. Mr Bitan said he was actively looking for further acquisitions.

He said Leaf, the US maker of photo-scanning and transmission systems, bought for $35m last year, had made a second-half loss which knocked 4 cents per share off Scitex's fourth-quarter earnings.

NZ Telecom plans to shed 5,000 jobs

By Terry Hall in Wellington

TELECOM Corporation of New Zealand yesterday reported a 9.7 per cent improvement in third quarter net profit to NZ$121m (US$65m) and announced a redundancy and restructuring programme aimed at shedding about 5,000 jobs.

Mr Roderick Deane, chief executive, said that Telecom, which is 68.2 per cent owned by Bell Atlantic and Ameritech of the US, was on target to report improved earnings for the full year, despite redundancy costs of NZ$350m.

The redundancy costs, which will be treated as an abnormal item, are part of a restructuring over the next four years that will cut staff numbers from 12,600 to 7,500.

Net earnings for the nine months ended December, were 5.3 per cent higher at NZ$305.8m. For the whole of last year Telecom's net profits totalled NZ$402.3m.

Mr Deane said that the restructuring was designed to rationalise the company's structure by combining its four operating companies into one. It would also substantially improve service quality and reduce operating costs.

Operating profits in the quarter were reduced slightly from NZ$1.91bn to NZ$1.84bn.

Pharmaceuticals behind advance at Sumitomo

By Charles Leadbeater

STRONG pharmaceuticals sales helped Sumitomo Chemical to a 28 per cent increase in consolidated profits before tax in the year ended December, the company reported yesterday.

However, on an unconsolidated basis, pre-tax profits fell 63.6 per cent to Y8.9bn ($74.1m), the third successive annual decline.

Overall unconsolidated sales fell by 11 per cent to Y624bn.

Sales of basic chemicals, which account for about 60 per cent of overall sales, fell by 13.4 per cent.

Aluminium sales dropped by 21.1 per cent.

Sumitomo Chemical's consolidated income before tax rose to Y40.2bn from Y31.2bn.

Net income fell by 19 per cent to Y16.3bn.

Net sales fell by 6 per cent to Y1,018bn.

However, a 19 per cent drop in basic chemicals, mainly petrochemicals supplied to the rest of Japanese manufacturing, was largely offset by a 8 per cent growth in sales of speciality chemicals and pharmaceuticals.

Operating income was marginally lower at Y53.7bn, compared with Y54.2bn the year before.

The growth of the company's speciality chemicals division was mainly due to a 21 per cent growth in sales of its pharmaceuticals.

Sales of fine chemicals were also up largely through supplies to other pharmaceuticals producers.

Oil boosts Ampolex profits to A$29.8m

By Kevin Brown in Sydney

AMPOLEX, the Australian energy group, yesterday announced a 114 per cent increase in net profit to A$29.8m (US$20m), largely thanks to revenues from the Kutubu oilfield in Papua New Guinea.

Ampolex said operating profit increased by 207 per cent to A$67.5m in the six months to the end of December, reflecting a 100 per cent increase in sales of crude oil to a record 6m barrels.

Net profit was reduced by an increase in tax payments from A$8m to A$37.6m, mainly as a result of exposure to higher tax rates in PNG, where the group paid tax of A$28.2m.

Revenue increased from A$89m to A$238.3m, reflecting the group's 16.46 per cent share of Kutubu output and revenue from the resale of oil purchased from other Kutubu producers.

Ampolex said Kutubu production is expected to rise to an average of 120,000 barrels a day in the second half, compared with 114,000 barrels in December and 99,000 barrels over first six months.

The group said gas production for the period rose by 15 per cent to 1bn cubic feet, due mainly to higher output from its US interests.

Samancor turns in 27% fall at halfway

By Philip Gawith in Johannesburg

SAMANCOR, the South African chrome and manganese ore and alloys producer, yesterday reported a 27 per cent fall in attributable net profits to R110.8m ($35.5m) for the six months to December.

Earnings per share tumbled 31 per cent to 59 cents. The company is halving its dividend to 20 cents a share.

Mr Hans Smith, managing director, said no ferrochrome producer was making money at current prices. Samancor's ferrochrome operations were running at about 40 per cent of installed capacity, he added.

Although Mr Smith is keen to stress the success of the restructuring and the healthy state of Samancor's balance sheet - available cash resources stand at about R500m - the figures tell a grim story.

Adjusted to take account of the Middelburg Steel acquisition, turnover declined by 11 per cent to R930.9m and pre-tax profits fell by 72 per cent to R71.4m, taking in a R42m one-off retrenchment charge

The real trouble for Samancor came on the ferrochrome side, where large volumes of distress sales from the CIS and former eastern bloc countries played havoc with the market.

INTERNATIONAL CAPITAL MARKETS

Kingdom of Sweden to join the rush for global issues

By Antonia Sharpe

THE international debt market is braced for a further onslaught of global deals today, when the previously-announced yen issue for the World Bank is expected to be launched.

INTERNATIONAL BONDS

The World Bank is widely expected to raise between Y200bn-Y250bn through a 10-year deal priced to yield 25 to 26 basis points above the benchmark Japanese government bond No 145.

Meanwhile, the Canadian province of Quebec's first global bond offering, a 30-year deal raising a larger-than-expected C$1.4bn, was launched late yesterday. The issuer had said it would be raising a minimum of C$1bn.

Of the total amount raised, C$150m was placed with the Caisse des Depots, the Quebec government pension fund, which an official at the joint lead manager, Merrill Lynch, said was a typical feature. He also confirmed market talk that the bond was practically sold out before its official launch.

Quebec's issue is due to be priced today to yield 90-91 basis points above comparable Canadian government bonds, in line with market expectations.

The Kingdom of Sweden joined the rush yesterday when it announced that it would be launching its first global bond in the near future. Syndicate managers expected the US dollar deal to be launched this week.

This offering will almost complete the country's SKr230bn ($31bn) foreign borrowing programme which was announced late last year. To date, SKr200bn has been raised.

Officials at Morgan Stanley and Salomon Brothers, which have been appointed as joint lead managers and book runners of the Swedish offering, said the issue was expected to raise around $2bn. Both the Canadian province of Ontario and the Republic of Finland have raised $3bn through global offerings in the past.

Some syndicate managers said they expected the Swedish deal to be priced to yield 45-47 basis points above 10-year US Treasuries, though others said the pricing was more likely to be pitched in the low to mid-40s range.

Mr Staffan Crona, director-general of the Swedish National Debt Office, said that after this deal, Sweden would continue to borrow in the foreign debt market but not as heavily as in recent months.

He added that half of the funds raised to date in the foreign debt market have been used to shore up the Swedish central bank's foreign exchange reserves and the remainder has been used to finance the country's budget deficit.

In the current fiscal year, ending June 30, the Swedish budget deficit is forecast to be SKr200bn but is expected to narrow to SKr160bn in the next fiscal year.

Elsewhere, the current fashion for Canadian dollar bonds continued as the European Investment Bank raised C$350m via a seven-year deal priced to yield 27.5 basis points over the Canadian government bond yield curve.

Syndicate managers said the EIB's deal had gone well considering it had been pitched at an area of the yield curve where there is little natural demand – there is no benchmark seven-year Canadian government bond, for example – and in view of its ungenerous pricing.

All the recently-launched Canadian dollar Eurobonds have had maturities of three, five or 10 years, so the seven-year area stood out as the obvious gap, syndicate managers said.

There were reports in the afternoon that the European Investment Bank was going to launch a Ecu500m seven-year Eurobond today. The bank's president, Mr Ernst-Gunther Broder, said in Lisbon that the EIB planned to issue up to Esc70bn worth of escudo Eurobonds in 1993, following a successful Esc10bn offering two weeks ago.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Credit Lyonnais(a)‡	100	(a)	100	Mar.2003	0.5/0.25	Kidder Peabody Intl.
YEN						
Japan Airlines Company	40bn	4.6	101.725	Jun.1998	1.875/1.5	Nikko Europe
Japan Airlines Company	20bn	4.6	101.725	Mar.1998	1.875/1.95	Yamaichi Int.(Europe)
CANADIAN DOLLARS						
Province of Quebec(b)	1,25bn	(b)	(b)	Jan.2023	0.5/0.17	M.Lynch/ ScotiaMcLeod
European Investment Bank	350	7.5	101.1	Mar.2000	2/1.7	Salomon Brothers Int
GUILDERS						
Finance for Danish Industry	150	7	100.25	Mar.2000	1/0.625	De NIB
SWISS FRANCS						
Nissaki House Industry(c)§♦	65	3.75	100	Mar.1997	-	J.Henry Schroder Bank

Final terms and non-callable unless stated. ♦Private placement. §Convertible. ‡Floating rate note. a) Coupon pays 6-month Libor - 0.25%; minimum 5%, maximum 9.25%. b) Global issue. Priced today to yield 90-91bp over the 8.75% 2020/21 Canadian Government bond. c) Semi-annual coupon. Final terms fixed on 22/2/93. Refixing clause: conversion price can be adjusted downward on 26/4/95 by a maximum of 20%.

Goldman Sachs gets lead role in Repsol share sale

By Tom Burns in Madrid and Richard Waters in London

REPSOL, the Spanish state-controlled energy group, yesterday appointed the US investment bank Goldman Sachs as global co-ordinator of a planned share issue that is expected to raise at least $500m.

The decision to appoint a separate co-ordinator – Lazard continues to advise on the overall management of the transaction – reflects the scale and complexity of the deal, which is likely to have one of the biggest international distributions of any share issue this year.

More than three-quarters of the shares are expected to be sold abroad in the first large Spanish share issue targeted exclusively at institutional investors.

Previous privatisation issues have been sold mainly to retail investors in Spain, involving lengthy underwriting periods and a fixed price for the shares.

The latest Repsol offer, by contrast, will be the first Spanish share sale to be conducted on the international book-building model.

The placement, which is likely to reduce state-held equity in Repsol from a 54.5 per cent to around 47.5 per cent, will be divided into five tranches – Spain, the US, the UK, continental Europe and the rest of the world. Analysts believe it will be weighted strongly towards Wall Street.

The issue is due in the first half of the year, though the good market conditions at present mean that the sale is likely to be launched early, perhaps as soon as the end of next month.

In an attempt to spread the spoils of the placement among the domestic banking sector, Repsol named Banco Bilbao Vizcaya as joint global co-ordinator and appointed the rival big commercial bank, Banco Central Hispano, lead manager of the Spanish tranche.

Banco Santander de Negocios, Spain's premier merchant bank, will jointly lead the UK tranche with S.G. Warburg.

Goldman Sachs co-ordinated the placement of 26 per cent of Repsol's shares in 1989.

It also led a subsequent major flotation by Endesa, the state-controlled electrical utility.

The renewed business that Goldman Sachs has won from Repsol underlines the pre-eminence that the US bank has established in major Spanish deals.

Repsol said that Paribas and Credit Suisse First Boston would be joint leaders of the continental Europe tranche.

Morgan Stanley has been entrusted with the placement in the rest of the world, it added.

Meff cuts fees to compete with Liffe contracts

By Tracy Corrigan

THE BOARD of Meff, the Spanish Financial Futures and Options Exchange in Barcelona, yesterday announced plans to cut fees and extend trading hours on its Spanish government bond futures contracts.

Trading in three-year and 10-year bond futures on Meff will be extended by more than an hour each day, and fees reduced to a fixed level of Pta75 (63 cents) per contract side – a 70 per cent reduction from average 1992 levels.

The move comes in response to a decision by the London International Financial Futures & Options Exchange (Liffe) to launch a 10-year Spanish government bond future next month, in competition with Meff. Mr Jose Luis Oller, Meff's chief executive, responded fiercely to Liffe's plans, when they were announced earlier this month, saying that the rival contract would split liquidity and segment the market.

PSDR data spark switching into long-dated paper

By Tracy Corrigan in London and Patrick Harverson in New York

THE long end of the gilts market rallied nearly half a point yesterday, on better-than-expected public sector debt repayment (PSDR) figures

GOVERNMENT BONDS

in January. The news prompted switching into long-dated paper, causing a further flattening of the curve.

The market had already rallied sharply on Friday, when the retail price index in the year to January fell to 1.7 per cent.

The Bank of England took advantage of the market's strength to issue £1.2bn of 9 per cent stock due 2011 and £150m of 4⅛ per cent index-linked Treasury stock expiring 2030.

The market absorbed the extra paper easily, taking comfort from the fact that the government is now well ahead on its funding.

■ ELSEWHERE in Europe, investors continued to view the German market as a safe haven. The spread between 10-year French OAT and German bund yields widened to 89 basis points, from 82 basis points last week. Dealers said that although the bund market is not in a particularly bullish phase, some nervousness about the franc, which edged lower yesterday, is encouraging investors to switch.

The spread against Danish and Belgian bonds has also widened on fears of further currency turmoil. The margin between 10-year German and Danish bond yields has widened to 184 basis points, while the spread between German and Belgian 10-year yields has increased to 77 basis points.

■ US Treasury prices rose yesterday on news of President Clinton's deficit-reduction plans, although by late morning they were off their earlier highs. By midday the benchmark 30-year government bond was up ⅛ at 100⅛, yielding 7.112 per cent. At the short end of the market, the two-year note was even firmer, up ¼ at 100⅛, to yield 4.081 per cent.

The president's televised address on Monday night, in which he outlined his proposals to cut the deficit, was well received by the market, which hopes that the measures will slow the economic recovery as well as lower the deficit.

Most of the early price gains, however, were earned in the strong follow-through from advances in overseas trading in government securities, and by mid-morning New York time local investors' enthusiasm for Treasuries had waned.

● THE government bonds table includes three new benchmark issues from today: a 9 per cent Belgian government bond due 2003, a 6¼ per cent US Treasury due 2003 and a 7⅛ per cent US Treasury due 2023.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	109.9361	+0.137	8.47	8.78	8.85
BELGIUM		9.000	03/03	106.7300	-	7.71	7.71	7.71
CANADA *		7.250	06/03	97.1500	-0.150	7.65	7.66	7.95
DENMARK		8.000	05/03	94.9500	-0.150	8.78	8.75	8.44
FRANCE	BTAN	8.500	03/97	102.0104	+0.088	7.89	7.79	7.75
	OAT	8.500	11/02	104.5300	+0.200	7.81	7.80	7.74
GERMANY		8.000	07/02	106.8500	+0.400	6.98	7.06	7.09
ITALY		12.000	06/02	98.4000	-0.215	13.07†	12.97	13.42
JAPAN	No 119	4.800	06/99	103.9683	+0.051	4.01	4.03	4.23
	No 145	5.500	03/02	108.6853	+0.319	4.18	4.24	4.36
NETHERLANDS		8.250	06/02	109.3600	+0.460	6.85	6.98	7.10
SPAIN		10.300	06/02	93.5000	+0.050	11.44	11.43	12.07
UK GILTS		7.250	03/98	102-07	-2/32	8.74	8.64	7.21
		9.750	08/02	112-04	+7/32	7.93	8.07	8.41
		9.000	10/08	105-16	+15/32	8.37	8.59	8.83
US TREASURY *		6.250	02/03	104-23	-19/32	5.63	6.33	6.64
		7.125	02/23	100-00	-16/32	7.12	7.20	7.38
ECU (French Govt)		8.500	03/02	102.5560	+0.130	8.10	8.07	8.22

London closing, *denotes New York morning session. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

FT FIXED INTEREST INDICES

	Feb 16	Feb 15	Feb 12	Feb 11	Feb 10	Year ago	High *	Low *
Govt.Secs.(UK)	95.95	95.85	95.72	94.85	95.06	88.47	95.95	85.11
Fixed Interest	111.89	111.62	111.18	110.56	110.85	101.52	111.69	97.15

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1992/93. Government Securities high since compilation, 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 111.69 (16/2/93, low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Feb 15	Feb 12	Feb 11	Feb 10	Feb 9
Gilt Edged Bargains	143.2	158.2	136.5	141.8	161.0
5-Day average	148.1	152.0	149.7	155.8	160.9

* SE activity indices rebased 1974

Securities industry acts to safeguard data transfers

By Antonia Sharpe

STANDARDS for trade data messages, aimed at reducing the risk of errors in cross-border transactions, are to be developed by 21 of the world's leading securities industry bodies.

At a recent exploratory meeting in Brussels, organised by the Society for Worldwide Interbank Financial Telecommunication, the group agreed to set up by mid-year a neutral standards advisory board representative of and visible to the securities markets worldwide, as well as a framework to prevent duplicated or fragmented work on standards.

Both bodies will be recognised by the International Organisation for Standardisation (ISO) as being designated by it for the global development of securities message standards.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:56 pm on February 16

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]					

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]					

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]					

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]					

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]					

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
[illegible]				

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
[illegible]					

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (‡three-month ‡above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	30	37	9
Other Fixed Interest	3	3	9
Commercial, Industrial	237	336	846
Financial & Property	78	260	458
Oil & Gas	11	21	52
Plantations	1	0	7
Mines	24	29	86
Others	9	20	87
Totals	393	706	1,554

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am't Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
51	F.P.	-	68	52	Intl. Food Machinery	62		-	-	-	-
$101⅛	F.P.	-	725	707	Mauritius Fund	725		-	-	-	-
$210	F.P.	-	280	262	Motor World	273	-5	R6.3	2.5	3.1	17.0
-	F.P.	-	98	84	New City & Commcl. Inv.	86		-	-	-	-
-	F.P.	-	28	19	Do. Warrants	19	-1	-	-	-	-

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price £	+ or -
-	F.P.	-	105p	102¼p	Airtours 6¼p (Net) Cv. Pf. (ex-div)	104p	-½
100p	F.P.	-	120½p	115½p	Bristol Water 8¾pc Pf.	117¼p	+1
100p	F.P.	-	110¼p	105¼p	Commercial Union 8¾pc Cnv Pf.	107½p	
100p	Nil	-	44pm	33pm	First Natl. Finance 7pc Cv Rd. Pf.	34½p	+1½
100	F.P.	-	114⅛	109⅞	NFC 7¾pc Cv. Bd. 2007	110⅞	
100	F.P.	-	101	100½	New City & Commercial RPI Deb 2006	101	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+ or -
[illegible]							

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. g Assumed dividend and yield. e Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. X Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1993. L Estimated annualised dividend, cover and p/e based on latest annual earnings. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. & Issued by way of rights. † Introduction. § Placing price. †† Reintroduction. ♦ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

- First Dealings Feb. 8
- Last Dealings Feb. 19
- Last Declarations May 20
- For settlement June 1

3-month call rate indications are shown in Saturday editions.
Calls in Aberdeen Petrlm., Aegis, Allied Radio, ASDA, Bimec, Brent Walker, Burton, Ferranti, Forward Tech., Hadleigh, Kewill Systems, Lonrho, McCarthy & Stone, Premier Cons., Queens Moat Hses. and Tadpole Tech. Put in Bimec. Doubles in Air London, Burton and Costain.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Alld Lyons (*582)	550	46	57	66	8	24	30
[illegible]							
Trafalgar (*76)	80	5	9	11½	7½	12	15
Utd Biscuits (*347)	330	25	29	37	11	17	21
	360	9	16	22	30	35	42
Unilever (*1143)	1100	71	90	110	16	31	40
	1150	33	58	78	42	54	62

Option		Calls Feb	Calls May	Calls Aug	Puts Feb	Puts May	Puts Aug
Brit Aero (*243)	240	11	27	38	9	28	38
	260	4	20	31	22	41	51

Option		Calls Feb	Calls May	Calls Aug	Puts Feb	Puts May	Puts Aug
BAA (*767)	750	24	48	59	5	22	36
[illegible]							
Blue Circle (*215)	200	23	29	34	6½	15	20
	220	11	18	25	16	29	34
British Gas (*289)	280	15	19	24	5	13	16
	300	5	9½	15	15	25	28
Dixons (*211)	200	20	28	32	6	12	18
	220	10	18	22	15	23	29
Eurotunnel (*470)	460	30	54	70	21	36	47
	500	15	35	51	45	60	69

Option		Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
Glaxo (*667)	650	35	64	82	23	43	53
[illegible]							

FT-SE INDEX (*2831) [illegible]

February 16 Total Contracts 34,543
Calls 18,068 Puts 16,475
FT-SE Index Calls 4,889 Puts 4,092
Euro FT-SE Calls 1,169 Puts 437
*Underlying security price. † Long dated expiry months.
Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Tue Feb 16	Day's change %	Mon Feb 15	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (23)	129.18	-0.03	129.22	1.56	1.72
2	5-15 years (23)	148.62	+0.21	148.31	2.09	2.01
3	Over 15 years (9)	155.63	+0.41	155.51	1.13	1.80
4	Irredeemables (6)	176.64	+0.26	176.19	3.12	0.00
5	All stocks (61)	144.51	+0.16	144.35	1.77	1.87
	Index-Linked					
6	Up to 5 years (2)	183.60	-0.10	183.79	-0.01	1.51
7	Over 5 years (12)	170.21	-0.11	170.40	0.57	0.87
8	All stocks (14)	170.84	-0.11	171.03	0.49	0.96
9	Debs & Loans (61)	126.32	+0.48	125.71	1.78	1.86

AVERAGE GROSS REDEMPTION YIELDS

			Tue Feb 16	Mon Feb 15	Year ago (approx.)
	British Government				
1	Low	5 years	6.35	6.34	8.58
2	Coupons	15 years	7.85	7.91	9.10
3	(0%-7¾%)	20 years	8.19	8.25	9.10
4	Medium	5 years	6.95	6.95	9.37
5	Coupons	15 years	8.36	8.41	9.18
6	(8%-10¾%)	20 years	8.54	8.59	9.14
7	High	5 years	7.15	7.14	9.59
8	Coupons	15 years	8.63	8.68	9.28
9	(11%-)	20 years	8.71	8.76	9.21
10	Irredeemables (Flat Yield)		8.67	8.69	9.29
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	1.93	1.89	3.60
12	Inflation rate 5%	Over 5 yrs.	3.53	3.52	4.27
13	Inflation rate 10%	Up to 5 yrs.	1.03	0.99	2.89
14	Inflation rate 10%	Over 5 yrs.	3.33	3.32	4.08
15	Debs &	5 years	8.63	8.67	10.88
16	Loans	15 years	9.47	9.52	10.64
17		25 years	9.68	9.74	10.47

COMPANY NEWS: UK

Ibstock warns of £27m loss

By Andrew Taylor, Construction Correspondent

IBSTOCK JOHNSEN, Britain's third largest brick manufacturer warned yesterday that it expects to report a £27m pre-tax loss for 1992 after taking into account plant closure costs and other provisions.

The company, which plans to close up to four of its nine UK brick plants, intends to reduce its final dividend to 0.5p making a total of just 1p, compared with 6p.

In 1991 Ibstock made pre-tax profits of £10.6m on sales of £285m. The group's share price yesterday fell 2p to 47p.

Mr Ian Maclellan, group managing director, said provisions for the period should be about £28m. All but £4m of this would be needed to cover the cost of the reorganisation of its UK brick business.

The group was intending to close smaller works to concentrate production at larger more economic plants.

About 200 jobs are expected to be lost by the end of this year as UK brick production capacity is gradually lowered from about 300m to about 250m bricks a year.

Mr Maclellan said that the closures had been caused by the shrinking of the UK brick market due to the construction recession.

Ibstock, despite the closures, expected to maintain its UK market share at about 8 per cent behind the market leaders, Hanson, which owns London Brick and Butterley, and Redland.

As well as closing smaller plants the group is increasing capacity at its Laybrook plant in Sussex and its Atlas works near Aldridge in the West Midlands.

After taking into account write-downs the debt to equity ratio would be less than 20 per cent, said Mr Maclellan.

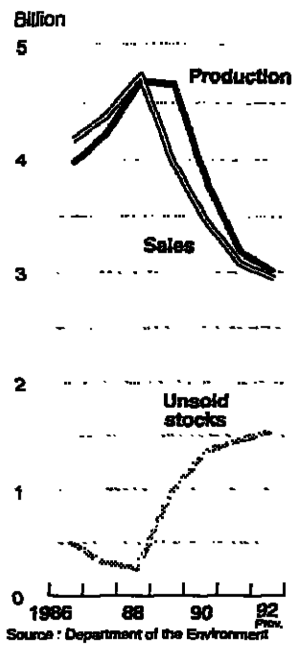
More than a fifth of British brick plants have closed since 1988 while manufacturing capacity of the industry has fallen by almost a quarter according to the Brick Development Association.

Even so, the industry's potential capacity to make 3.7bn bricks a year continues to outstrip sales which last year fell to just 2.9bn bricks compared with more than 4.7bn in 1988. The number of workers employed by the industry since then has fallen from 14,000 to less than 9,000.

Stocks of unsold bricks in December totalled 1.5bn, enough to build 150,000 homes and equivalent to 30 weeks supply to the construction industry.

Mr Maclellan warned that the industry could expect another year of pain as stocks gradually were reduced. He said this ought to lead to a better year in 1994 provided the recent revival in the UK housing market was sustained.

Brick market



Source: Department of the Environment

Pentland picks up Berghaus in latest shop spree

By Angus Foster

PENTLAND, the cash-rich sporting and consumer goods company, has paid £7m for Berghaus, the outdoor clothing and equipment group.

The acquisition was Pentland's first since it pulled out of talks last October to buy Adidas, the sports-shoe maker. Pentland has about £350m net cash and further small to medium-sized acquisitions are expected.

Berghaus, which operates from two factories near Newcastle upon Tyne, is the UK market leader for specialist mountaineering and hiking clothing and last year reported sales of about £20m. Its products are expensive, with some jackets retailing at more than £350.

Mr Frank Farrant, Pentland's finance director, said Berghaus' brand name would be developed and popularised. "We intend to make it more accessible to the general outdoor enthusiast without detracting from the brand."

The Newcastle factories, which employ about 500 people, will be retained while Pentland hopes to use its sourcing experience in the Far East to lower costs. Pentland, which owns the Speedo swimwear brand, also acts as sourcing agent in the Far East for LA Gear, the US sports shoe maker.

Mr Peter Lockey and Mr Gordon Davison, who founded Berghaus about 20 years ago, are leaving the company, although Mr Davison will remain as a consultant.

Mr Farrant said: "They think they've taken it as far as they can. The next stage will take more money and a more structured organisation behind it".

The purchase price includes £3m of bank borrowings. Berghaus has net assets of £2m. The company is profitable after interest costs and should slightly enhance Pentland's earnings. Mr Farrant said he hoped Berghaus' operating profit margin, currently about 5 per cent, would improve towards 10 per cent as turnover grew.

The company's main market is the UK, although it has subsidiaries in Germany and Italy and is hopeful about growth from Scandinavia.

Pentland, which earned its cash holdings from an investment in Reebok, the US sports shoe maker, is understood to be looking at several other potential acquisitions, both in the US and UK. But none of the potential targets are equivalent in size to Adidas, which earlier this week was sold to a consortium of investors by Mr Bernard Tapie, the French businessman.

A revamped package is welcomed in the City

Neil Buckley on the changing face of Bowater

BOWATER'S acquisition of Specialty Coatings International was welcomed by the City yesterday and marks the final phase of the revamp of the group begun in 1987.

The group has come to be seen as a model of how to run a business in a recession, and it says much for its standing that yesterday's rights issue – the second in less than a year – was greeted by an 8p rise in the shares to 493p.

The new management which has transformed the company, headed by Mr Norman Ireland, for 20 years finance director of BTR, the industrial holding group, decided in 1987 to reduce its traditional interests in the paper and packaging sectors. It moved instead towards more sophisticated value-added products, offering bigger profit margins and growth potential.

In 1987 it acquired Rexham Corporation, the US packaging group, and its portfolio of custom coating and laminates businesses. Two years later it purchased Release Technologies, the release films and papers manufacturer.

Having studied the potential of these businesses, Bowater adopted a strategy in 1990 of developing a "critical mass" in three areas: health care packaging, personal care packaging, and coated industrial films.

The first two aims were largely achieved through the acquisition last March of DRG Packaging, which supplies speciality packaging to the food and healthcare markets, and Cope Allman, a cosmetics and pharmaceuticals packaging group. The purchases were funded largely by a £333.5m rights issue.

SCI, Bowater's latest target, was formerly part of James River, but was acquired in a leveraged buy-out in 1991 by AEA Investors, a group of New York investors.

It specialises in precision coating of specialist films and papers, used in the imaging, graphic and computer industries, through a number of wholly owned subsidiaries in the US, UK and the Irish Republic. For the year to December 27 1992, it made operating profits of $48.8m (£34.2m) on sales of $568m. Net assets, before deducting borrowings of $125.9m, were valued at $278.3m.

Its activities can be grouped into four main areas: Graphics Technology International, which supplies microfilm, phototools, and computer output media; HP Smith and Smith & McLaurin, which specialise in self-adhesive label products; Decorative Specialities International, which supplies latex-saturated paper used in book coverings and other products; and Custom Paper Group, which makes papers used in filtration and other absorbent products.

Bowater said yesterday that Custom Paper, although a profitable and successful business, did not fit with Bowater's core businesses and would immediately be put up for sale.

Otherwise, Mr David Lyon, Bowater's chief executive, said the acquisition would increase its annual sales of coated films and papers to £500m, or about 25 per cent of the group's annual turnover. It would also broaden Bowater's existing coating capabilities into new areas with attractive growth rates.

He added that SCI's skills at finding applications and products for new processes would complement Bowater's own expertise in research and development.

Mr Tim Rothwell, packaging industry analyst at brokers BZW, said SCI was an "excellent" fit for Bowater.

"If you had asked me two years ago what was the most likely business for Bowater to acquire, this is the one I would have mentioned. It must have been irresistible for the management even if it involved another rights issue."

He said the $434m price tag, representing only 76 cents for every $1 of sales and an earnings multiple of 14.4, was attractive, while the decision to fund the deal through equity rather than debt was sensible in order to keep gearing, currently 57 per cent, under control.

The deal is conditional on approval under US anti-trust legislation, hence the decision to launch the rights issue in two stages. Mr Michael Hartnall, finance director, said: "We believe we will get clearance, although it might take longer than we would hope. AEA investors would not have put this up for sale and let us go this far if they did not believe it would be approved."

If the deal falls through, the £95m first stage of the rights issue will be used to reduce gearing and take advantage of other acquisition opportunities.

Taylor Woodrow £56m issue

By Richard Waters

TAYLOR Woodrow yesterday raised £55.5m through a debenture issue in a rare move by a construction group to borrow money through bonds secured on a property portfolio.

The bonds were added to an existing debenture issue, first launched in 1989.

The company raised £80m at that stage, though it later bought back £35m of the bonds to record a £7.5m profit.

Explaining the decision to issue more of the long-dated bonds, which are due to mature in October 2014, Mr David Green, finance director, said: "Historically, these are the lowest long-term interest rates in 35 years. I doubt very much that they will go very much lower."

The bonds were issued with a yield of 10.037 per cent.

Institutional investors in the UK, who buy such bonds to match future pension or insurance liabilities, would be resistant to buying bonds that yield less than 10 per cent, suggesting that this is a good time to borrow, said Mr Green.

The money will be used to repay a sterling eurobond.

Hanson marginally ahead on 'slow improvement' in US

By Maggie Urry

LORD HANSON, chairman of Hanson, the US-UK conglomerate, said yesterday: "As expected the new year has begun with lower operating margins than in the comparable quarter". He said there were "some signs of a slow improvement in the US, but it is too early to say this for the UK".

He was reporting results for the first quarter of the current financial year, which showed pre-tax profits up from £226m to £236m, helped by a £20m disposal profit. The group does not reveal operating profits at the first quarter stage, but analysts suspected that interest receivable was slightly lower and operating profits were down.

Recession is still affecting many of the group's businesses. However, in the US Cavenham Forest Industries was seeing markedly higher prices for lumber used in the construction industry. Mr Martin Taylor, vice chairman, said prices were 30 to 40 per cent higher than six months ago.

This could be a leading indicator of an upturn in construction However, any increase in demand has yet to work through to Hanson's aggregates business.

Mr Taylor said another good sign was that DuPont, the leading maker of titanium dioxide, had removed its price discounts on the chemical which could help Hanson's SCM subsidiary.

In the UK, profits at Imperial Tobacco were higher, he said, but otherwise there were no signs of "green shoots". The group's brick and aggregates operations were not seeing any upturn in demand yet.

He declined to comment on negotiations in the US between the coal industry and miners. In the US, 44 per cent of the group's coal mining capacity has been hit by a strike since the beginning of this month. He said a judgment on the case against Costain over the sale of Costain's Australian coal mining business, was expected in the next week or so.

Claremont reaches settlement with J&J Fashions designer

By Angus Foster

MRS JENIFER Rosenberg, the clothes designer who built up J&J Fashions before departing acrimoniously following the company's takeover by Claremont Garments (Holdings) last year, has reached an out-of-court settlement with Claremont.

Under the settlement, Mrs Rosenberg will receive a payment of about £100,000 and be freed from a service agreement signed when Claremont bought J&J. In return, she will remain bound by certain restrictive covenants signed as part of the acquisition agreement.

However, the two sides seemed to disagree yesterday about the scope of the restrictions. For example, advisers to Mrs Rosenberg believed she was able to design blouses for suppliers to Marks and Spencer, J&J's main customer, while Claremont's advisers believed she was not. There was further confusion as to whether she could work as a designer of children's wear and coats.

Claremont, which is also one of Marks and Spencer's main suppliers, paid £27m for J&J in June last year. But the relationship with Mrs Rosenberg turned sour and Claremont terminated her service agreement, which was due to run for two years, in October.

NEWS IN BRIEF

BURFORD HOLDINGS has acquired the Crescent Centre, Bristol, from City Offices for £800,000 cash.

HADLEIGH INDUSTRIES Group has been awarded two export contracts worth £10m. Both orders are for 24,000 litre beam tanks and are from Transamerica Leasing in New York and Stolt Tank Containers, the latter being negotiated through its UK office.

LIT HOLDINGS said talks were in progress with a view to the potential disposal to Spear Leeds & Kellogg of LIT America, its US subsidiary.

RESORT HOTELS has added the first associate hotel to the Resort Network, which now totals 55 properties. Randell's Hotel and Conference Centre, Skipton, Yorkshire, will be marketed and promoted as part of Resort's National Network of hotels. Resort also announced that Mr Tim Barker has been appointed non-executive chairman.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Baring Tribune ....fin	4.75	Apr 8	4.5	6.45	6 2
County Smaller ....int	1.125	Mar 31	1.125☆	-	1.125☆
Hanson ....int	2.85‡	Apr 1	-	-	11‡‡
St Modwen Props ....fin	0.6	Apr 22	0.55	0.6	0.55
Temple Bar ....fin	8.75	Mar 31	8.5	13.25	13
TR Pacific ....fin	0.35	Apr 29	0.25	0.35	0.7†
Trust of Prop ....fin	1.503	Apr 8	1.432	1.503	1.432

Dividends shown pence per share net except where otherwise stated. †Included special of 0.45p. ☆For period April 10 to December 31 1991. ‡First quarter payment. ‡‡Annualised

PUBLIC NOTICE

NOTICE PUBLISHED BY THE SECRETARY OF STATE UNDER SUB-SECTIONS 8(5) AND 10(6) OF THE TELECOMMUNICATIONS ACT 1984

The Secretary of State hereby gives notice as follows.

1. He proposes to grant to Vodafone Limited ("the Licensee") a licence under the Telecommunications Act 1984 ("the Act") to run telecommunication systems throughout the United Kingdom. The licence will be for a period of 25 years subject to earlier revocation in specified circumstances.
2. The principal effect of the licence will be to enable the Licensee to install and run telecommunication systems throughout the United Kingdom. The Licensee will be authorised to connect its systems to a wide range of other systems, including GSM systems outside the United Kingdom, and to provide any telecommunication service apart from cable television services, telepoint services, and certain types of international services.
3. The licence will be subject to conditions such that section 8 of the Act will apply to it, thereby making the system run under the licence eligible for designation as a public telecommunication system under section 9 of the Act. It is the intention of the Secretary of State to designate the Licensee's system as a public telecommunication system.
4. The Secretary of State proposes to grant the licence in response to an application from the Licensee for such a licence because he considers that it will help to satisfy demands in the United Kingdom for the provision of services of the type authorised, will promote the interests of consumers in respect of the quality and variety of such services, and will maintain and promote effective competition between those engaged in the provision of telecommunication services.
5. He proposes to apply the Telecommunications Code ("the Code"), except for paragraph 10, to the Licensee subject to certain exceptions and conditions The effect of these exceptions and conditions is that the Licensee will have duties:
   (a) to consult certain public bodies before exercising particular powers under the Code, including the local planning authorities and the Nature Conservancy Council;
   (b) to inspect its telecommunications apparatus to ensure that it would not cause harm to other persons or property,
   (c) to comply with conditions designed to ensure efficiency and economy on the part of the Licensee, in connection with the execution of works on land concerning the installation, maintenance, repair or alteration of its apparatus; and
   (d) to keep and make available copies of the exceptions and conditions in the licence to its powers under the Code.
6. The reason why he proposes to apply the Code to the Licensee is that the Licensee will need the statutory powers in the Code to keep installed and maintain the telecommunication systems required to be kept installed and run under the proposed licence.
7. The reasons why it is proposed that the Code as applied should have effect subject to the exceptions and conditions referred to above are that they are considered requisite or expedient for the purpose of securing that the physical environment in the Licensed Area is protected and that the system is installed as safely and economically as possible.
8. Representations or objections may be made in respect of the proposed licence, the application of the Code to the Licensee and the proposed exceptions and conditions referred to above. They should be made in writing by 31 March 1993 and addressed to the undersigned at the Department of Trade and Industry, Telecommunications and Posts Division, Room 2/155, 151 Buckingham Palace Road, London, SW1W 9SS. Copies of the proposed licence can be obtained free of charge by writing to the Department or by calling 071 215 1783.

L. BEECH (Miss) Department of Trade and Industry

Mrs Fields' shareholders left with just the crumbs

Peggy Hollinger looks at the background to the financial restructuring of the US cookie maker

THE HUMBLE all-American chocolate chip cookie does not travel well, as UK investors have found out to their sorrow.

This week's news of a financial restructuring at Mrs Fields, the controversial USM-quoted cookie company, leaves 1,700 UK investors with nothing more than a nominal holding in a private company owned and managed by US banks.

Shareholders have also been told that they can expect no dividend until the banks have been repaid. Just when that might be is still somewhat of an open question, even for the banks concerned.

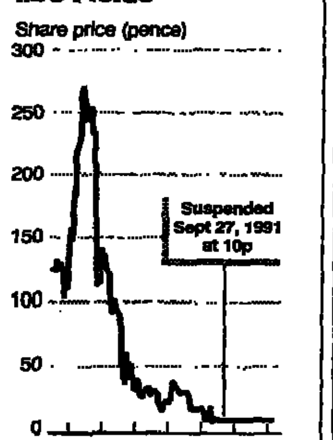
Most of those left holding what one shareholder called "virtually worthless paper" are private individuals, with only three large UK institutions on the register.

Ignoring the warning bells of a disastrous flotation in the spring of 1986, they rushed to buy in the following year amid the hype of one product wonder stocks such as Sock Shop and Tie Rack. The company's ability to meet the forecast on which it was floated was taken as a good sign. Its shares rose from a low of 105p to 272p in June 1987, against a flotation price of 140p.

Within months, however, cracks in the company's strategy began to appear. An ambitious expansion programme was reversed as rents soared, branches languished and the economy took a nosedive. Little more than four years after its market debut, Mrs Fields was forced to sit down with bankers to hammer out a survival strategy.

Debbi Fields: will be left with an 8.4% holding

Mrs Fields



Source: FT Graphics

This week it became clear that the company has been all but bankrupt for some time, in spite of a shift toward less capital intensive franchising and licensing operations. One significant UK shareholder said it had written the investment off in 1990, a year before the shares were suspended at 10p.

The agreement announced on Monday has taken two years to negotiate and leaves the company's high-profile founder, Mrs Debbi Fields, with an 8.4 per cent stake.

This stake will be payable in three tranches, as long as she remains with the company. In any case, Mrs Fields and her husband, Randall, had already pledged most of their 80 per cent stake to the banks to secure previous refinancings.

Mrs Fields, the Californian housewife who opened her first cookie shop at the age of 20, will remain as chairwoman, albeit on a slightly reduced salary of $450,000. The banks have decided that to lose the face of Debbi Fields from marketing campaigns would be like losing Anita Roddick from the Body Shop, said one observer.

This logic was also behind the decision to cancel "interaffiliate" debts of $14.5m (£10.2m) – basically monies owed by companies controlled by the Fields. Her husband, who resigned as chairman in March 1991, has also had his compensation package reduced.

For shareholders, there is little solace in the terms agreed. After the refinancing, the group will still have debt of $50m with a $64.5m deficit in shareholders funds. It is certain to be some time before even the banks can begin to think of getting a return.

McErlain to step down as chairman of Anglo United

By Roland Rudd

MR DAVID McErlain is to step down as chairman of Anglo United, owner of the Coalite smokeless fuel business, after its banks agreed yesterday to a financial restructuring, including a debt-for-equity swap, which will leave shareholders with just over 50 per cent of the company.

Mr McErlain said he had "warned the banks" that receivership would be preferable to a restructuring which left shareholders with little of the enlarged equity.

The shareholders' stake could still fall, however to as low as 36 per cent depending on the rate of take up of warrants and of banks' converion of loan notes into shares.

His restructuring plan was backed by the banks but he has had to relinquish the top job. Mr Harold Cottam, chairman of Haden MacLellan Holdings, the engineering group, takes over next month.

Anglo recently faced a £16.3m interest bill and £7m outstanding from this year's debt repayment, when operating profits fell from £13.4m to £4.68m for the half year to September 30 1992.

Following the highly leveraged bid by Mr McErlain for Coalite in August 1989, the group's total debt was £467m. Disposals and the proceeds of a rights issues reduced borrowings to £211m by March 31 1992.

However, debt recently rose to £250m as the group failed to make further divestments, precipitating the present problems.

The group warned that its trading performance continues to be "hampered" by the recession.

The main features of the restructuring are: the swap of £45.9m debt for 459.3m new shares at 10p (placed with the banks, subject to open offer); conversion of £74.9m debt into deep discount notes and convertible loan notes; and the rescheduling of the remaining £130.5m of bank debt.

The rescheduled debt is repayable in two instalments: £10m on September 30 1994 and £120.5m on March 31 1995.

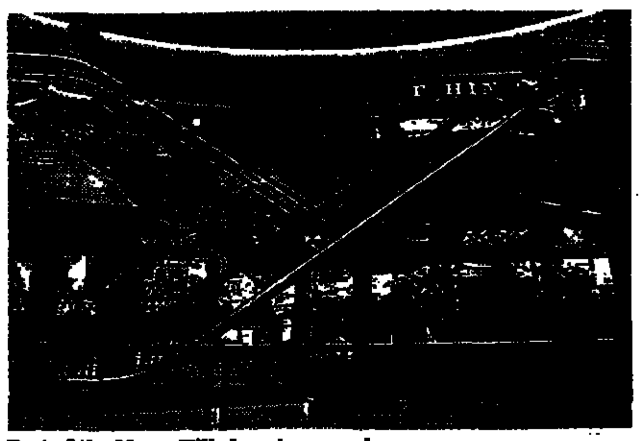
The convertible loan notes can be converted over the next 10 years at 10p a share. Interest at an equivalent 10 per cent is being deferred until conversion, while the deep discount loan notes will have a 12 per cent yield, payable on redemption at their maturity date.

The effect will be to defer interest on £50m of debt converted into deep discount loan notes.

Existing shareholders are being offered warrants on the basis of 1-for-3, which can be exercised at 10p. Anglo's share price yesterday rose 1p to 6½p.

The Hongkong and Shanghai Banking Corporation and Samuel Montagu will end up with more than 40 per cent of the enlarged group.

The outstanding preference shares are being converted into new ordinary shares at the enhanced conversion rate of 12.4 new shares for each preference share. Following the restructuring, they will end up with 14 per cent of the enlarged share capital.



Part of the Merry Hill shopping complex

Merry Hill centre sale realises £128m

By Vanessa Houlder, Property Correspondent

RECEIVERS OF Mountleigh, the property company that failed last May, have agreed to sell Merry Hill, a Midlands shopping centre and the group's largest UK asset, for £128m to Chelsfield, the property company headed by Mr Elliot Bernerd.

Chelsfield, which is acting in partnership with one of its associated shareholders, expects to complete the deal in about 10 weeks time. The price includes some tax benefits that stem from enterprise zone allowances.

Mr Stephen James of KPMG Peat Marwick, the joint receiver, said he was "extremely satisfied with the outcome of the negotiations." Before Mountleigh went into receivership, it had failed in an attempt to sell the shopping centre for £115m, he said.

"We were in no hurry to sell," he said. "This proves that a distressed seller is someone seeking to avoid going into receivership, not one that has gone into receivership."

The deal attracted interest from half a dozen potential buyers, including O'Connor Group, the US fund which came close to buying the shopping centre a year ago.

Mr Bernerd said he was a "cautious enthusiast" about UK property. He drew encouragement from the surge in overseas investment in good quality property that followed the devaluation of sterling last September.

Mr James said it would be over-optimistic to claim that the market was recovering, although more buyers were emerging. "We are seeing a greater ability to sell things, but not prices moving up."

The receivers described Merry Hill as one of the most successful shopping centres in the UK. The centre, which has more than 260 shops and is served by a monorail transport system, is 98 per cent let. The centre was built by Don and Roy Richardson, the Dudley-based property entrepreneurs.

The sale of Merry Hill was complicated by concern that the centre, which is built on a former steel works, would be placed on the contaminated land register that is planned by the government. The receivers responded to these concerns by commissioning a study which showed that no remedial action would be needed to comply with current or likely environment legislation.

Mountleigh's receivers have realised about £200m from the sale of 30 of its 83 properties.

Lost duty free contract hits outcome at Allders

By Maggie Urry

ALLDERS, the department store and duty and tax free shops group, suffered a fall from £22.6m to £15.2m in pre-interest profits for the year to September 30.

Its annual report shows turnover fell 2.3 per cent to £555.6m, with sales in the department stores down by 2.1 per cent to £259.1m and by 2.4 per cent in the duty and tax free shops to £296.5m.

Mr Tony Collyer, finance director, said that the loss of an important duty free contract at Sydney airport had hit profits, but he said the group had won a number of other licences.

The group, which was the subject of a management buy-out from Hanson in 1989, is looking to float at some point, although probably not in the current year.

The department store side had been affected by the opening of two shops, the first new stores since 1985, and closure of one.

The group also launched an out-of-town format, At Home with Allders, at five sites. Mr Collyer said they were expected to generate sales in a full year equal to one department store, but at a fraction of the cost.

During the year capital expenditure totalled £20m, he said. The high level of debt from the buy-out had not stopped the group investing, especially as a refinancing in 1991 had deferred repayments of the debt.

The group had net debt of about £90m at the year-end and the interest charge was £10.6m, down from £16.2m, thanks to lower interest rates and the effect of a refinancing.

However, exceptional debits four £8.1m, compared to a credit of £26.8m from the refinancing, leaving a pre-tax loss of £3.4m, against a £43.2m profit.

The exceptional item related to unusually large pre-opening costs of £3.7m on two new department stores, a £1.7m provision for rent on two unused properties – a closed department store, where the site is now being redeveloped, and a warehouse now sold – and a £2.7m adjustment to the value of the closed store.

St Modwen increases dividend despite fall

By Paul Cheeseright, Midlands Correspondent

ST MODWEN Properties, the Birmingham-based group with development and investment interests around the UK but outside central London, is increasing its dividend in spite of a 19 per cent fall in annual profits.

Pre-tax profits for the year to November 30 were £1.71m, compared with £2.11m, on turnover down from £45.1m to £18.5m. The directors stated that in 1991 property development sales were abnormally high because of the sale of an office park in Manchester.

Mr Stan Clarke, chairman, said he believed that "property values have generally bottomed out in the regions where the company operates, and I am cautiously optimistic that during 1993 there will be some recovery."

This belief, combined with the fact that the group was now earning enough from the increased rent roll from its investment properties – £7.5m last year compared with £6.3m in 1991 – both to cover its interest rate bill and company overheads, led to the increase in the dividend.

The distribution is lifted to 0.6p (0.55p). Earnings per share were 1.1p against 1.7p.

Valuation of property holdings led to a 9 per cent reduction to 36p in net assets per share.

The lower value of its properties, coupled with a slight increase in borrowing because of property acquisitions, pushed gearing over the last financial year up from 88 per cent to 99 per cent.

St Modwen has sought in recent years to concentrate on property investment and undertake development only where sales or leasing are assured beforehand.

Mr Paul Doona, finance director, said: "We are now in a position where we make a profit without a need to rely on a development contribution."

Pittencrieff shares rise 8% on demerger plans

By Peggy Hollinger

SHARES IN Pittencrieff defied the general market decline yesterday with an 8 per cent jump to 351p as the group finally confirmed plans to demerge the telecommunications division from its oil and gas activities.

The company accompanied the announcement with a forecast increase in its annual dividend of at least 17 per cent to 7p. The share rise came despite a placing yesterday of about 2m shares at 312p to pay for purchases.

Pittencrieff intends raising about $50m (£35m) by floating a minority stake in the mobile communications subsidiary in the US through a public offer. In just two years the offshoot has been built up into an operation with turnover of $2m a month.

Mr Doug Sinclair, finance director, said the group had decided to float the business rather than call continuously on existing shareholders for cash to fund such rapid growth.

He added that there was a greater understanding in North America of Pittencrieff's particular communications sector, making the US a sensible place to float.

The proceeds would be used to repay part of telecommunications' loans to Pittencrieff and for further expansion. The repayments and expected dividends would fund expansion in the on-going oil and gas business.

Ms Liz Butler, analyst at Panmure Gordon, said the decision to float the communications business in the US was a good move. "If the US goes well, it will underpin the UK shares."

Pittencrieff is acquiring a communications business in El Paso, Texas, for $6.65m and oil and gas reserves, also in Texas, for $3.75m.

AH Ball shares drop 30p after warning on profits

By Jean Marshall

SHARES IN AH Ball Group fell by 30p to 75p yesterday after the civil engineer issued a warning on trading results for the year.

Mr Tom Austin, chairman, said that as a result of deteriorating trading conditions during the six months to March 31, the optimism expressed in the interim report had proved unfounded.

Order awards had been delayed or cancelled and the group had experienced a serious decline in the volume of work being executed within the AH Ball & Co period schedule maintenance contracts.

That, linked with an expected 3 per cent fall in gross margins and reduced interest receivable, was likely to result in the outcome for the whole of the current year showing little or no improvement on the £407,000 achieved in the six months to September 30 1992.

In the last full year pre-tax profits amounted to £960,000.

Mr Austin added that trading conditions for the coming year remained uncertain, although tendering levels for specific contracts were currently higher than in recent years. From December 1992 to February 1993 the group had received about £3m of new orders, of which about £1m related to KD Process International, the maker of process control systems for the water industry which AH Ball acquired last July.

Cash balances at March 31 were expected to remain satisfactory. However, Mr Austin said the directors anticipated cutting the final dividend to 3.3p (4.8p).

The group transferred from the USM last August.

Proposed deals given go-ahead

The proposed acquisitions of Hunter Saphir by Albert Fisher; of Usher-Walker by Dainippon Ink and Chemicals; of Agricultural Mortgage Corporation by Lloyds Bank; of the infra-red defence components business of Philips Electronics by General Electric Company; and the proposed joint venture between British Aerospace and Taiwan Aerospace Corporation, will not be referred to the Monopolies and Mergers Commission.

NEWS DIGEST

Greenwich Resources loses £0.7m

GREENWICH Resources, the Worcestershire-based gold mining company, reported a pre-tax deficit of £697,000 for the 12 months to September 30 1992, against a profit of £108,000.

The result was struck after an exceptional £337,000 cost resulting from the financial restructuring of the Australian subsidiary, United Goldfields, and redundancy costs.

The operating loss amounted to £749,000 (£26,000). Losses per share rose from 0.2p to 1p.

In spite of the sharp reversal, Mr Colin Phipps, chairman, said the year had been a positive one for the group.

Highlights included the award of the Konos Concession in Greece and the completion of a joint venture agreement with Newcrest Mining to explore and exploit it.

He added that during the last 18 months the group had been restructured and overheads had been significantly reduced.

Currency influences buoy TR Pacific

The strength of Far Eastern currencies, especially after the decline in sterling, helped TR Pacific Investment Trust increase net asset value from 79.9p to 114.6p per share over 1992.

The trust concentrates on capital growth. Net revenue dipped to £490,000 (£696,000) for earnings of 0.731p (1.039p) per share.

A dividend of 0.35p is proposed for the year. The distribution for 1991 comprised a final of 0.25p and a special of 0.45p.

Union Jack Oil in $9.8m disposal

Union Jack Oil has sold its 7.5 per cent interest in UK North Sea block 29/5b to Texaco Britain for $9.8m (£6.9m) cash and a 3.5 per cent interest in the Claymore field.

Directors said the cash would be used to repay debt and to fund future exploration, appraisal and development activities.

Union would benefit, they added, from the positive cash flow which the interest in the Claymore field was expected to generate.

County Smaller net assets at 84.44p

County Smaller Companies Investment Trust reported a net asset value of 84.44p per share at December 31; a year earlier the value stood at 94.4p.

Net revenue for the six months to end-December amounted to £173,815 (£236,086 for period from incorporation on April 10 to December 31 1991) with earnings at 1.06p (1.44p) per share.

The interim dividend is unchanged at 1.125p.

Temple Bar net assets rise

Attributable profits of Temple Bar Investment Trust fell from £8.23m to £7.82m over 1992, equal to basic earnings of 13.57p per share, against 14.29p.

The final dividend, however, is lifted to 8.75p, making a 13.25p (13p) total.

Net asset value per share net of prior charges at nominal value improved from 269.81p to 310.9p.

Net of prior charges at market value the figure rose from 270.88p to 310.76p.

The board was more confident about 1993 and said it seemed likely that the year would see a modest return to economic growth in the UK.

However, directors added that the recovery was "unlikely to be without setbacks" and "it would be wise to caution against excessive optimism".

Reduced losses at Howard Holdings

Losses at Howard Holdings, the housebuilder and plant hirer, fell from £211,248 to £197,771 pre-tax for the half year ended October 31.

Turnover declined by £1.24m to £1.47m.

Main activities continued to feel the full impact of recession with both volumes and margins suffering downturns.

Losses per share were slightly higher at 0.78p (0.69p).

Trust of Property net asset value falls

Net asset value of Trust of Property Shares fell from 78.43p to 57.14p over the 12 months to December 31.

However, by February 10 it had recovered to 65.44p.

Net revenue for 1992 improved 9 per cent to £101,000 (£95,000) for earnings per share of 1.529p (1.443p).

The proposed single dividend is increased from 1.432p to 1.503p.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims- New Zealand Inv Trust, North American Gas Inv, Ptarmigan Hedging Inv Trust, Mersey Docks & Harbour, Throgmorton Trust, Vardon.

FUTURE DATES

Interims-

Bank of Scotland	Oct. 6
Cornwall Parker	Mar. 8
Essex Furniture	Feb. 22
St Ives	Apr. 20
Stew Derby	Mar. 8

Finals-

Abbott Mead Vickers	Mar. 15
Argyll Group	May 26
Bank of Scotland	May 6
Capital & Counties	Feb. 25
Coats Viyella	Mar. 16
Delaney	Feb. 24
Green Property	Feb. 26
Hepworth	Mar. 25
Hibernian	Mar. 22
M&G Income Inv.	Feb. 23
M&G Recovery Inv Tst	Feb. 23
TransAtlantic	Feb. 26

Kuwait delays completion of Opec's output cut deal

By Mark Nicholson in Vienna

STRONG DISAGREEMENT between Kuwait and other members of the Organisation of Petroleum Exporting Countries over the wording of a final communique had by late yesterday prevented ministers from sealing a deal to cut production for the second quarter, after nearly four days of talks.

Ministers have decided allocations for second quarter production that would cut output to slightly less than 23.6m barrels a day, that the cuts should in most instances be pro-rata and that the full reduction of just under 1m b/d from the first quarter ceiling should take effect on March 1.

Kuwait has also said it is willing to pump 1.6m b/d, nearly 400,000 b/d less than its claimed output, under this basic agreement.

But it also insisted yesterday that the communique should contain some form of proviso making clear that present output levels were temporary and reflected neither its eventual capacity, after full rebuilding of its damaged oil industry, nor its historic production levels.

Iran and some other delegations, however, flatly rejected any such special mention for Kuwait and at least three proposed drafted wordings had failed to bring the parties closer by late last night. Almost all members believe it is vital for Opec to produce a unanimous agreement, with no stated reservations or exceptions, if their proposed output cut is to look fully credible.

The row over the communique scotched momentum towards a deal that by late on Monday was enough to persuade the Saudi Arabian's to pack their bags ready to leave. The Algerian, Gabonese and Indonesian ministers all left on Monday saying the basis of a deal had been reached.

But Kuwait was unwilling to budge after Mr Ali al-Baghli, the country's oil minister, was understood to have been given assent by Sheikh Saad al-Sabah, the Kuwaiti crown prince, to accept a level of 1.6m b/d only on condition that there be some formal Opec acknowledgement of the Gulf state's special status since the Gulf war.

Several delegations were again settling their hotel bills ready to leave last night, and there was no little concern in some camps that Opec was taking so long to finalise a deal for which an apparent pre-meeting consensus had been so publicly trumpeted.

Although a number of industry analysts attending the meeting said the proposed second quarter ceiling would be welcomed by the markets, if adhered to, many also felt that much further delay in finalising the deal cast familiar doubt on Opec's real internal discipline.

However, Kuwait is determined that the present agreement should not be seen as somehow freezing the present accident of its lower overall output capacity.

Banana battle looms over EC import curbs

By Raymond Colitt in Quito

LATIN AMERICAN exporting countries have accused the European Community of hypocrisy following its decision to impose import restrictions on their bananas.

In Costa Rica president Rafael Calderon declared that "we will continue to fight if the Europeans are not prepared to do us justice. We will fight within Gatt [the General Agreement on Tariffs and Trade], though that does not preclude [other] settlements."

A commission of the region's banana producing countries is trying to establish whether the EC's decision actually violates Gatt norms and EC Gatt representatives are being asked to justify the measures

Meanwhile Mr Guillermo Endara, the Panamanian president, declared that EC leaders had "no idea what damage they were causing to our countries".

In Ecuador, the world's largest banana exporter, the foreign minister, Mr Diego Paredes, said, however, that his country was not considering retaliatory measures. Ecuador believed in free trade, he said.

The minister announced that a delegation would travel to Europe early next month to seek negotiations and make leaders there more "sensitive to the problems the import restrictions are causing".

Last Friday the presidents of the region's banana producing countries rallied together in a display of solidarity, pledging to challenge the EC import restrictions.

Yet despite a unanimous condemnation of the EC decision, the nine state representatives stopped short of adopting more aggressive measures. The idea of using the Panama Canal to put pressure on some EC countries was rejected by President Endara, who said that international agreements forbade such action.

Ecuador has begun to seek alternative markets. Negotiations are under way with Middle and Far East countries and sales have already been clinched in Iran.

The import restrictions come at a time when many Latin American countries have recently made considerable investments to increase banana production.

Mr Sixto Duran Ballen, president of Ecuador, declared that: "The developed countries are now showing us that free trade is only a farce. Protectionism is returning, this time hiding behind more powerful economic blocs".

Price rally cheers salmon farmers

By James Buxton, Scottish Correspondent

SCOTTISH SALMON farmers meeting in Glasgow yesterday for the start of their annual exhibition and conference were more cheerful than for several years. That was because the wholesale price of farmed salmon had recovered after being at crisis levels for two years.

The happy farmers do not, however, include those from Shetland. The wrecking of the tanker Braer at the beginning of last month spread a film of oil up the west coast of the islands, affecting 16 salmon farms that account for about a quarter of the 10,000 tonnes of salmon produced annually in the islands.

Moving to protect their industry's reputation, the Shetland farmers declared an exclusion zone over the affected area, from which no fish can be sold. It is likely that 2.5m salmon with a market value of between £8m and £10m will have to be slaughtered in the next few weeks and the farmers compensated from the International Oil Pollution Compensation Fund.

Salmon farmers in Norway, Scotland and Ireland have been through hell since the late 1980s. But even Norwegian farmers accept that their own industry, by far the largest in Europe, must take most of the blame for what went wrong. Norway hugely increased its salmon output from 1989, reaching a peak of 160,000 tonnes in 1991 and driving prices down sharply. Norway was selling fish at below production cost in the European Community market – in a word, dumping.

In late 1991 Norway began putting its house in order. Nearly 40,000 tonnes of Norwegian salmon were bought up, frozen and disposed of outside the EC. The EC temporarily imposed a minimum price on Norwegian imports. These moves, plus a slight cut in Norway's output and a drop in salmon catches in the North Pacific, have reduced world supply and enabled prices to recover.

But during the crisis many smaller Scottish salmon producers went bankrupt, their sites being bought up by other companies. Unilever last year pulled out of salmon farming, selling Marine Harvest, the biggest Scottish producer which also operates in Chile, to Mari-Farms, a US company in which Hanson has a large stake.

With salmon produced on a three-year cycle, Scottish farmers reined back their growing production by reducing the number of smolts (small salmon) they transferred to cages at sea. Scottish Office figures show that output dropped last year to 36,000 tonnes from the 1992 record of 40.500 tonnes.

Prices rose by 35 per cent between March and September last year, and farmers, already benefiting from low interest rates, hope UK demand will improve this year.

Now the Scottish salmon farmers want to ensure that they never again have to go through the perilous boom and bust cycle of the past few years, and Norwegian, Irish and Faroese producers agree. They all propose setting up compulsory producer organisations to control the release of smolts and operate an intervention buying system to keep up prices.

All the producer organisations would meet twice a year in a European Salmon Industry Forum which would review salmon breeding and try to co-ordinate production, though its recommendations would be voluntary.

The producer organisation idea is backed by nearly 90 per cent of Scottish salmon farmers. It received public support yesterday from Highlands and Islands Enterprise, the development body for the Highlands, and has strong backing in Norway. But the UK government is indicating that though it supports voluntary organisations it would not enact legislation necessary to make the producer organisations' rulings compulsory, which the salmon farmers say is essential.

Mr Donald MacRae of TSB Bank Scotland says: "It is most unlikely that the EC Commission would agree to an international producer cartel" and asks whether the system would be workable, arguing that farmers would produce for intervention.

But Mr Paul Torgnes, secretary of the Norwegian Fish Farmers Association, warned in Glasgow yesterday that Norway was now on course to more than double its production to 310,000 tonnes in 1997. "It is imperative that we introduce mechanisms to prevent this development," he said.

Indonesian producers advise against cocoa pact membership

By William Keeling in Jakarta

INDONESIAN COCOA producers have advised against membership of the International Cocoa Organisation, despite the country's emergence as a major world producer.

Indonesia is expected to produce 220,000 tonnes of cocoa in this crop year, which ends on September 30, replacing Malaysia as the world's fourth largest producer, according to the Indonesian Cocoa Association (Askindo). The country's production has soared since 1981-82 when it produced just 23,000 tonnes. Askindo expects production to rise to 250,000 next year and to more than 400,000 tonnes by the end of the decade.

It estimates that about 330,000 hectares (815,000 acres) are under cultivation but only 60 per cent are in production, with the remainder producing a first crop by 1996.

Next week members of the ICCO, which groups major consuming and producing nations, meet in Geneva to negotiate a new price support mechanism for cocoa. The current agreement, signed seven years ago, has failed to maintain world prices, which have fallen from about £1,300 a tonne in 1987 to £730. Traders say the continued refusal of Indonesia to join the ICCO would weaken any new accord.

Indonesian producers fear membership would have a negative impact on the domestic industry. "We are very worried that if we become a member our production programme may be constrained by outside factors," explained one executive yesterday.

Some officials also wish to remain removed from the ICCO's internal squabbles and financial problems.

The head of one plantation company noted: "Most important [for a new price support agreement] is financing. But who is to pay, producers or consumers? And what about arrears? Some producers owe the association about $140m".

Askindo officials take a more pragmatic line, however, saying membership of the organisation may be inevitable given Indonesia's importance as a producer and the government's policy of promoting economic co-operation between developing nations.

They say the preferred option for a new price support agreement would be a withholding scheme, based on historic production levels, rather than a quota or buffer stock systems.

PNG 'unprepared' for mining boom

By Kenneth Gooding, Mining Correspondent

IF RECENT events such as the dispute over ownership of the giant Porgera gold mine caused international investors to turn their backs on Papua New Guinea for a while, it might be a blessing in disguise, Mr Noel Levi, PNG's high commissioner in London, said yesterday.

He pointed out that PNG became independent only 17 years ago and in the past few years had attracted well over $2bn of foreign investment in mining and oil projects while exploration expenditure by foreign companies was running at an annual $100m. The country had been "thrown into the mining boom with no preparation" and might benefit from some breathing space.

"Perhaps we need time to reflect on the past decade and to put in place mining laws that are more up-to-date. Perhaps the present laws are not entirely to our benefit."

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	+9,150	to 1,649,450
Copper	+550	to 319,425
Lead	−125	to 235,075
Nickel	+684	to 60,966
Zinc	+1,775	to 539,000
Tin	+190	to 17,120

Mr Levi made it clear, however, that he, personally, wanted the US$760m Lihir island gold project, which aims to develop one of the world's biggest and lowest-cost deposits of the precious metal, to go ahead as quickly as possible. Start-up of this project, in which RTZ, the world's biggest mining company has an 80 per cent stake, had already been delayed from 1992-93 to 1995, he said. "But if RTZ wants it to happen, it will happen."

Mr Levi also pointed out his government's official policy was to welcome foreign investment "because the international business community offers technical expertise and financial resources needed to develop our natural resources responsibly to build national prosperity."

At a meeting with institutional investors organised by Prudential-Bache Securities, the financial services organisation, Mr Levi was closely questioned about the Porgera mine. PNG has a 10 per cent stake in Porgera but both the new prime minister, Mr Paias Wingti, and the mining minister, Mr Masket Iangalio, have indicated this should be raised to 30 per cent, suggestions that created a bitter dispute with the Australian partners in the venture: Placer Pacific; Renison Goldfields; and a subsidiary of MIM Holdings.

It was suggested by Mr Iangalio on Monday that the dispute would be settled by the end of this week but Mr Levi pointed out that so far the PNG cabinet had not been asked to approve any move to raise the Porgera stake or to allocate money to pay for it.

Excessive stocks keep wool market in doldrums

By David Blackwell

THE WORLD wool market has deteriorated rapidly in the past three months, according to the latest report from the International Wool Textile Organisation.

A forecast fall in supplies has not been as significant as expected, mainly because of large stocks carried over in Argentina and a higher than expected clip in Australia.

On the demand side economic problems have kept western European purchases down, while Japan has "excessively large" stocks of yarns, fabrics and completed garments.

The former Soviet Union and eastern Europe, which played an important role in expanding wool demand during the 1980s, have stayed away from the market, while Chinese buying has not been as strong as in 1991-92.

Last week the Australian wool indicator price fell by 22 cents to 459 cents a kilogram. The Australian Council of Wool Exporters said on Monday that prices would remain under pressure and reported the largest offering of the season so far – 146,594 bales.

The New Zealand Wool Board has advised its farmers not to send wool to auction while prices are so low.

The IWTO has revised upwards its estimate for the 1992-93 clip by 3,000 tonnes and for the 1991-92 carry-over stocks by 34,000 tonnes. Total availability of wool (production plus carry-over stocks) is now put at 2.3m tonnes for 1992-93, up from a November estimate of 2.26m. While this is well below the 2.45m tonnes of 1991-92, it is still well ahead of the 1986-91 average of 2.04m tonnes.

Since November the IWTO has reduced its clip estimates for New Zealand, South Africa, Lesotho and Namibia, but has raised the Australian estimate from 549,000 tonnes to 557,000 tonnes.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,665-1,710 (same).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.20-2.40 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 0.35-0.45 (0.40-0.50).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 15.50-16.00 (same).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 120-145 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 1.80-1.95 (1.85-1.95).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.70-5.40.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 38-48 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 1.60-1.70 (1.65-1.70).

URANIUM: Nuexco exchange value, $ per lb, U_3O_8, 7.65 (same).

WORLD COMMODITIES PRICES

MARKET REPORT

GOLD moved ahead on the London bullion market after Comex opened ahead following the US Presidents' Day holiday. New York traders said investor interest had been sparked by early sell-offs in the Dow Jones Industrial Average and the dollar, which had been put on the defensive by uncertainty over President Clinton's economic plans. New York raw SUGAR prices were sharply higher at midday, buoyed by heavy commission house and fund buying as well as bullish chart factors. The gains were fuelled by market rumours that Cuba had had to buy 100,000 tonnes of Thai sugar to fulfil its Chinese contracts, and that Kenya was said to be tendering for physical sugar. London COCOA futures were depressed by sterling's advance against the dollar. On the LME BASE METAL trading continued in narrow ranges. Dealers said the lacklustre markets might prevail for some time yet, as overall physical interest and activity was slow and stocks continued to build.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Apr)		+ or -
Dubai	$15.83-5.87	+.155
Brent Blend (dated)	$18.19-8.22	+.220
Brent Blend (Apr)	$18.10-8.12	+.165
W.T.I (1 pm est)	$19.76-9.82	
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$191-194	
Gas Oil	$169-170	+2
Heavy Fuel Oil	$71-72	
Naphtha	$173-174	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$331.85	+3.3
Silver (per troy oz)♣	369.5c	+1.0
Platinum (per troy oz)	$366.75	+1.0
Palladium (per troy oz)	$114.75	+0.50
Copper (US Producer)	104.0c	
Lead (US Producer)	33.0c	
Tin (Kuala Lumpur market)	14.95r	-0.01
Tin (New York)	267.5c	-1.0
Zinc (US Prime Western)	62.0c	
Cattle (live weight)	122.84p	+1.94*
Sheep (live weight)†♣	105.15p	+3.64*
Pigs (live weight)†	81.78p	-0.02*
London daily sugar (raw)	$216.0	
London daily sugar (white)	$264.5	+2.5
Tate and Lyle export price	£261.5	-2.5
Barley (English feed)	£140.0z	
Maize (US No. 3 yellow)	£165.0	
Wheat (US Dark Northern)	Unq	
Rubber (Mar)¶	68.00p	-1.0
Rubber (Apr)¶	68.25p	-1.0
Rubber (KL RSS No 1 Feb)	236.5m	-0.5
Coconut oil (Philippines)§	$450.0y	
Palm Oil (Malaysian)§	$432.5w	-2.5
Copra (Philippines)§	$277.5	
Soyabeans (US)	£184.0u	-2.0
Cotton "A" index	60.75c	
Wooltops (64s Super)	400p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Apr/May u-Feb/Apr. x-Aug. w-Feb/Mar z-Mar. ¶London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices. * Change from a week ago, provisional prices.IPE Close 6.30pm.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Mar	725	732	730 724
May	735	742	742 734
Jul	748	754	755 748
Sep	759	767	767 761
Dec	776	785	786 776
Mar	795	804	804 794
May	805	[illegible]	815
Sep	837	845	836 836
Dec	865	870	870 861

Turnover: 4409 (2224) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Feb 16 714.23 (705.57) 10 day average for Feb 12 712.39 (712.91)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low
Mar	936	917	932 917
May	929	913	930 913
Jul	909	889	908 882
Sep	911	891	910 887
Nov	924	905	912 903
Jan	930	920	920

Turnover:1842 (793) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Feb 12: Comp. daily 57.29 (58.11) 15 day average 55.89 (55.60)

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Mar	193.00		193.00 190.00
May	210.00	200.00	199.60
Aug	212.00	208.00	205.00
White	**Close**	**Previous**	**High/Low**
May	269.50	260.10	269.50 261.00
Aug	271.00	260.00	269.50 265.00
Oct	255.50	249.10	254.70 250.30
Mar	253.50	248.00	249.00 248.00

Turnover: Raw 25 (19) lots of 50 tonnes.
White 1326 (368) Paris- White (FFr per tonne): May 1625.35 Aug 1560.18

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low
Apr	18.15	17.96	18.18 17.90
May	18.17	18.00	18.20 17.97
Jun	18.22	18.08	18.25 18.04
Jul	18.22	18.10	18.26 18.10
Aug	18.27	18.15	18.30 18.26
IPE Index	17.86	18.41	17.96

Turnover 20581 (19124)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Mar	168.50	166.00	169.00 166.00
Apr	168.25	166.00	169.00 166.00
May	168.00	165.75	168.25 166.25
Jun	167.75	165.75	167.75 166.25
Jul	169.25	167.50	169.00 168.00
Aug	171.25	169.25	170.75
Sep	174.00	172.00	172.50

Turnover 11621 (8359) lots of 100 tonnes

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Apr	42.0	40.5	42.5 40.5
May	46.0	44.5	46.0 44.0

Turnover 130 (126) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Jun	147.00	148.00	
Aug	148.00	148.00	

Turnover - (100) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low
Feb	1360	1348	1363 1357
Mar	1370	1367	1370
Apr	1398	1359	1363 1368
Jul	1196	1185	1196 1191
Oct	1350	1349	1353
Jan	1335	1328	1335
BFI	[illegible]	[illegible]	

Turnover 164 (64)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
Mar	141.40	142.35	142.30 141.40
May	142.60	143.85	143.60 142.60
Jul	143.75	144.80	144.50 143.75
Nov	111.35	112.30	112.00 111.35
Jan	114.80	115.70	115.00 114.80
Barley	**Close**	**Previous**	**High/Low**
Mar	139.00	139.00	139.00 139.00
Sep	107.50	108.05	107.50 107.50
Nov	110.40	[illegible]	110.40 110.50

Turnover: Wheat 233 (152), Barley 32 (27).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement p/kg)

	Close	Previous	High/Low
Mar	108.0	108.5	
Apr	108.0	108.5	

Turnover: - (-) lots of 3,250 kg

JUTE
February/March C and F Dundee BTC $360, BWC $350, BTD $325, BWD $340, C and F Antwerp BTC $340, BWC $340, BTD $315, BWD $315.

COTTON
Liverpool- Spot and shipment sales amounted to 457 tonnes for the week ended February 12, compared with 713 tonnes in the previous week. Improved demand brought moderate purchases mainly in American, CIS and Asian descriptions. Pakistan and Spanish growths made some headway.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 39,627 lots
Cash	1197.5-8.5	1195.5-6.5	1197.5	1197-7.5		
3 months	1219-20	1217-7.5	1221/1218	1219-9.5	1221-2	186,011 lots
Copper, Grade A (£ per tonne)						Total daily turnover 25,035 lots
Cash	1530-1	1557-8	1541/1540	1539.5-40.5		
3 months	1554-5	1581-2	1569/1562	1565-5.5	1553-4	157,202 lots
Lead ($ per tonne)						Total daily turnover 4,920 lots
Cash	288-8.5	291.5-2.5	289.25	290-90.25		
3 months	298.25-8.5	301-2	301.5/298	300-300.5	298.5-7.5	15,785 lots
Nickel ($ per tonne)						Total daily turnover 7,926 lots
Cash	6110-15	6110-20		6107-10		
3 months	6175-8	6175-9	6185/6160	6175-80	6180-5	42,545 lots
Tin ($ per tonne)						Total daily turnover 1,530 lots
Cash	5775-80	5785-95		5776-8		
3 months	5835-40	5845-50	5840/5830	5835-40	5840-5	8,786 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 15,782 lots
Cash	1065.5-7.5	1064.5-5.0	1065.5	1065.5-6.0		
3 months	1085-7	1083-4	1087/1085	1085.5-6.0	1086-7	62,723 lots

LME Closing £/$ rate:
SPOT: 1.4475 3 months: 1.4375 6 months: 1.4301 9 months: 1.4251

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	331.70-332.00	
Opening	329.00-329.40	
Morning fix	329.20	228.088
Afternoon fix	329.45	228.684
Day's High	331.70-332.00	
Day's Low	329.00-329.30	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.60	6 months	2.56
2 months	2.58	12 months	2.56
3 months	2.58		

Silver fix	p/troy oz	US cts equiv
Spot	255.65	369.70
3 months	260.40	371.35
6 months	265.75	374.35
12 months	270.50	381.40

GOLD COINS

	$ price	£ equivalent
Krugerrand	329.00-332.00	228.00-231.00
Maple leaf	341.60-343.85	-
New Sovereign	78.50-81.50	55.00-57.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	Jun	Mar	Jun
1200	28	59	14	20
1225	16	43	27	30
1250	8	31	43	43
Copper (Grade A)	**Calls**		**Puts**	
2200	53	89	22	41
2250	27	54	46	64
2300	12	34	80	94
Coffee	**Mar**	**May**	**Mar**	**May**
850	86	85	-	16
900	35	56	1	38
950	4	38	19	68
Cocoa	**Mar**	**May**	**Mar**	**May**
700	25	54	-	19
725	2	39	2	29
750	-	28	28	43
Brent Crude	**Apr**	**May**	**Apr**	**May**
1800	25	41	63	-
1850	10	20	-	-
1900	4	11	-	33

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Feb	330.0	329.6	333.8	330.6
Mar	330.8	329.7	0	0
Apr	333.4	330.0	334.4	330.5
Jun	334.7	331.2	335.8	331.8
Aug	336.0	332.4	336.9	333.6
Oct	337.3	334.1	0	0
Dec	338.1	335.5	339.3	335.4
Feb	340.6	337.1	338.2	338.2
Apr	342.6	339.1	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Feb	358.6	358.8	0	0
Apr	371.0	368.6	371.9	367.5
Jul	368.0	366.5	369.5	366.5
Oct	365.5	363.1	367.0	365.0
Jan	365.5	361.1	365.0	365.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Feb	370.8	368.8	368.0	368.0
Mar	371.2	369.2	372.0	369.5
Apr	373.7	371.6	373.4	370.0
May	374.7	372.8	376.5	371.0
Jul	376.1	374.0	378.5	372.5
Sep	378.4	376.4	378.0	376.3
Dec	380.3	378.4	382.0	378.0
Jan	381.1	380.1	0	0
Mar	384.4	384.2	387.0	382.5
May	386.4	386.2	0	0
Jul	389.2	390.2	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	98.45	98.25	98.55	98.40
Mar	98.75	98.60	99.05	98.60
Apr	99.10	98.85	99.10	99.05
May	99.35	99.20	99.35	99.25
Jun	99.70	99.50	99.75	99.75
Jul	100.05	99.80	100.15	99.80
Aug	100.30	100.10	0	0
Sep	100.60	100.40	100.85	100.55

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Mar	19.56	19.56	19.63	19.50
Apr	19.56	19.58	19.64	19.52
May	19.58	19.58	19.62	19.56
Jun	19.63	19.60	19.68	19.58
Jul	19.70	20.02	20.00	19.60
Aug	19.77	20.00	20.06	19.75
Sep	19.84	20.05	20.06	19.80
Oct	19.94	20.05	20.07	20.00
Nov	20.04	20.10	20.10	20.00
Dec	20.01	20.08	20.10	19.97

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Mar	5530	5563	5610	5510
Apr	5485	5535	5570	5475
May	5420	5482	5500	5425
Jun	5400	5452	5490	5400
Jul	5415	5472	5500	5415
Aug	5432	5532	0	0
Sep	5555	5545	5555	5550
Oct	5745	5745	0	0
Nov	5825	5830	5835	5810
Dec	5900	5916	5930	5900

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	905	892	907	889
May	934	925	942	933
Jul	955	942	957	950
Sep	988	983	995	980
Dec	1025	1012	1032	1025
Mar	1055	1041	1055	1065
May	1081	1062	1081	1081
Jul	1101	1082	1101	1101
Sep	1125	1109	1124	1124
Dec	1165	1147	1162	1162

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	66.25	64.30	64.70	62.25
May	67.00	66.80	67.20	66.30
Jul	68.50	68.05	68.55	67.05
Sep	70.70	69.65	70.70	68.85
Dec	73.00	72.35	73.25	72.00
Mar	75.50	75.00	0	0
May	77.85	76.90	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	8.96	8.46	9.02	8.60
May	9.01	8.51	9.09	8.85
Jul	8.94	8.48	9.02	8.69
Oct	9.17	8.60	9.21	9.05
Mar	9.11	8.76	9.11	8.90
May	9.10	8.76	0	0
Jul	9.10	8.81	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	62.63	61.48	62.65	61.05
May	63.46	62.40	63.50	62.01
Jul	64.50	63.23	64.50	63.10
Oct	63.73	62.76	63.75	62.80
Dec	62.63	61.61	62.70	62.00
Mar	63.51	62.62	63.25	63.25
May	63.90	63.15	0	0
Jul	64.43	63.60	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	68.85	68.20	68.90	67.60
May	72.45	72.45	72.50	71.20
Jul	75.70	75.50	75.85	74.70
Sep	78.50	78.70	78.20	78.20
Nov	81.30	81.50	82.00	81.30
Jan	83.35	85.00	83.60	84.50
Mar	85.30	85.50	0	0
May	88.30	88.50	0	0
Jul	88.30	88.50	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Feb 16	Feb 12	mnth ago	yr ago
1767.5	1772.9	1707.6	1590.0

DOW JONES (Base: Dec. 31 1974 = 100)

	Feb 15	Feb 12	mnth ago	yr ago
Spot	-	124.39	123.63	-
Futures	-	124.82	122.67	-

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	571/0	570/4	572/2	568/0
May	573/4	572/6	575/0	570/4
Jul	578/6	578/0	579/6	575/4
Aug	580/4	579/0	580/6	577/4
Sep	580/6	580/0	581/2	578/4
Nov	587/0	586/0	588/0	584/4
Jan	594/0	592/2	595/0	592/0
Mar	601/0	600/2	601/4	600/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	20.96	20.80	20.98	20.80
May	21.23	21.06	21.24	20.99
Jul	21.44	21.28	21.44	21.13
Aug	21.53	21.35	21.54	21.25
Sep	21.55	21.36	21.55	21.37
Oct	21.61	21.40	0	0
Dec	21.70	21.60	21.70	21.45
Jan	21.70	21.67	21.70	21.60

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	177.2	177.4	177.8	176.7
May	178.6	178.4	179.1	177.9
Jul	180.5	180.5	180.8	180.0
Aug	181.4	181.3	181.8	181.1
Sep	182.4	182.1	182.5	182.1
Oct	183.2	183.1	183.5	183.0
Dec	186.2	185.3	186.3	184.7
Jan	186.3	186.6	0	0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	212/0	212/2	212/6	211/6
May	220/0	220/2	220/6	219/6
Jul	227/4	227/4	228/0	227/0
Sep	233/4	234/2	234/2	233/4
Dec	240/2	240/2	240/6	239/6
Mar	247/0	246/4	247/4	246/4
May	251/0	251/0	251/0	251/0
Jul	249/0	248/4	249/0	249/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	361/4	364/6	363/4	359/2
May	339/6	341/2	341/0	339/0
Jul	321/4	324/0	322/6	318/4
Sep	325/4	328/0	326/4	323/0
Dec	332/6	336/0	335/0	331/4
Mar	337/0	340/0	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	82.875	82.700	83.150	82.650
Apr	78.875	78.450	79.250	78.450
Jun	73.125	73.050	74.300	73.000
Aug	71.025	71.725	72.200	70.900
Oct	72.250	72.225	73.125	72.100
Dec	72.750	73.400	73.600	72.550
Feb	72.575	72.700	73.150	72.650

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Feb	45.475	45.000	45.500	45.225
Apr	44.850	45.000	45.000	44.550
Jun	50.175	50.350	50.575	49.950
Jul	48.925	48.925	49.300	48.600
Aug	46.950	46.450	46.700	46.600
Oct	41.900	41.800	41.900	41.600
Dec	42.900	42.900	43.000	42.600
Feb	43.025	43.050	43.200	42.700

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	38.025	37.700	38.400	38.500
Mar	38.050	37.700	38.400	37.900
May	38.925	38.525	38.575	37.900
Jul	38.575	38.250	38.750	38.250
Aug	37.400	38.100	38.750	37.250

LONDON STOCK EXCHANGE

London stocks react to US setback

By Terry Byland,
UK Stock Market Editor

SHARP reaction from both the US currency and Wall Street share prices to President Bill Clinton's warning of higher taxes ahead pulled the rug from under the London stock market yesterday. A recovery from early falls, prompted by favourable views of the latest UK Public Sector Borrowing statistics, was abruptly reversed and London fell nearly 35 points on the FT-SE 100 scale as the Dow dropped 78 points in early trading.

London's setback, driven by a plunge in stock index futures where the March contract fell to a discount, came almost too quickly for the bears to get out of the market. But there was a good deal of attempted selling of the blue chips as the pound climbed against the US dollar in late dealings.

The final minutes of the London session saw the Footsie rallying with the Dow Average after regulatory suspension of dealing in stock index futures on the New York market.

The final reading left the FT-SE 100 down 33.7 points at 2,812.2, after dipping to 2,808 earlier. At 3009.5, the FT-SE Mid 250 lost 13 points. Trading volume increased as the market fell away and traders feared that the Footsie 2,800 mark could be tested today.

Domestic considerations were entirely blotted out by the setback in New York. Equities had opened firmly as the January distributive trades survey by the Confederation of British Industry appeared to indicate a modest revival in the UK economy. But the 6-point gain on the FT-SE 100 was replaced by a 17-point drop as traders took on board a heavy profits fall at British Airways, a £295m rights call from Bowater and a weak opening by stock index futures.

Selling was modest and Seaq volume was slow to climb to 400m shares. The mood brightened quickly when news of a repayment of £2.63bn on public sector debt in January cheered the government bond market and prompted some economists to revise downwards their UK budget deficit forecasts.

In spite of nervousness ahead of Wall Street's reaction to President Clinton's taxation warning, the UK market was only a few points off as opening time for the New York market drew nigh.

But all this optimism was swept aside by the Dow's plunge and UK traders sounded unhappy as the Dow continued its fall after the London market closed.

Today and tomorrow could prove significant tests for the UK stock market. At home, investors are braced for the release this morning of the January retail sales figures and, perhaps more keenly, for disclosure tomorrow of the unemployment data for the month.

Analysts fear that UK unemployment could breach the 3m total, perhaps even prompting another reduction in base rates "from weakness rather than strength", as one senior trader suggested yesterday.

Today also brings President Clinton's State of the Union Address to Congress and important auctions in the New York bond market, as well as the outcome of the latest repo arrangements by the Bundesbank.

After a slow start yesterday, Seaq volume finally advanced to 634.3m shares, of which around 62 per cent was in non-Footsie stocks. On Monday, equity retail business worth fell to only £864.9m, the first daily total below £1bn since the Christmas period.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

Account Dealing Dates

*First Dealings:	Feb 1	Feb 15	Mar 1
Option Declarations:	Feb 11	Feb 25	Mar 11
Last Dealings:	Feb 12	Feb 26	Mar 12
Account Day:	Feb 22	Mar 8	Mar 22

*New time dealings may take place from 8.30am two business days earlier.

Analysts unhappy with BA

BRITAIN'S flag-carrier airline, British Airways, had a volatile and busy session as the market digested the company's third-quarter results.

Profits for the three-month period to December 1992 dropped by £80m to £20m, but were at the top end of analysts forecasts. The initial reaction was favourable and the shares moved ahead, with dealers also cheered by the absence of the feared rights issue announcement.

However, closer examination of the accompanying statements and discussions with the company, which pointed to a poor trading outlook, later brought a change of view in the City. The shares retreated as analysts cut year-end predictions. Smith New Court reduced its forecast by £15m to £230m, Lehman Brothers came back by £15m to £225m, and James Capel by £20m to £200m.

At the day's worst, the shares were down 9 at 270p, but afternoon buying, mainly by US houses, prompted a rally for a close of 3 off at 276p after heavy turnover of 10m.

Bowater firm

Paper and packaging group Bowater ignored both overall market weakness and a potentially dilutive rights issue. The shares climbed to 497p at one stage and survived the later pressure on UK stocks imposed by sharp falls in the US to close 8 ahead at 493p.

The company announced a one-for-six cash call at 400p per share to raise £295m and finance the $434m (£305.6m) acquisition of US group Specialty Coatings. Mr Tim Rothwell, media analyst with investment bank BZW, said: "It is a cracking deal. It is an excellent fit for their current Rexham business and seems to be a reasonably fair price." Bowater also announced a 48 per cent rise in profits in 1992.

Glaxo hit again

Drugs group Glaxo fell sharply in early trading yesterday as the bears latched on to news that the company is to cut the ex-factory price of its migraine drug Imigran in the Netherlands by 15 per cent. There were also recurrent worries that Glaxo is poised to announce a big rights issue to finance an acquisition.

Finally, there was positioning ahead of the announcement of Glaxo's results tomorrow and reaction to US President Bill Clinton's address last Monday which could herald a tightening of federal health spending. However, Mr James Culverwell of Hoare Govett argues that the stock has become a hostage to fortune. "Glaxo is out of favour but the arguments are misinformed," he said.

The slide, which continued through the day to leave the stock 32 down at 667p on turnover of 6.7m, spearheaded more general weakness in the sector. When Wall Street opened down, Wellcome lost 24 to 900p and SmithKline Beecham fell 15½ to 449p in the "A"s and 21½ to 381p in the Units on joint turnover of 10.6m.

Hanson easier

Conglomerate Hanson eased 4 to 250p after announcing first-quarter profits of £236m. S.G. Warburg Securities said that even though the figure included a £20m sale it still came in at the house forecast which was at the low end of market forecasts and had excluded any extras.

Renewed hints of a bid for TSB rumbled on and the shares added 1½ at 173p. Lloyds, the favoured candidate fell 8 to 505p.

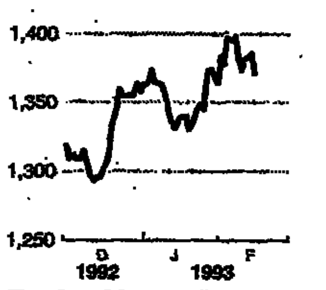
Insurer Legal & General lifted 4 to 456p on the back of a bear squeeze.

Oil stocks dipped as a full ministerial session at the Vienna OPEC meeting, expected to agree production cuts, was delayed. OPEC had been due to hold a full session which analysts said was expected merely to rubber stamp an agreed cut in production quotas to a total 23.6m barrels. BP fell 5 to 262p, Shell Transport 14 to 576p and Enterprise 10 to 458p.

Oil and gas exploration company Pittencrieff jumped 28 to 351p on news it plans to make its mobile communications unit an independently financed corporation and will raise its final dividend. The company added that it had successfully completed share placings of just over 2.1m shares at 312p per share.

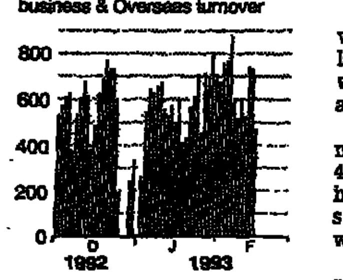
Aviva Petroleum closed 3 higher at 54p on positive drilling news.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



Shares in GKN bucked the poor market adding 8 at 465p, with James Capel said to have been recommending the stock.

Confirmation by Lucas Industries that it is to shed 510 jobs at its diesel operations in Kent led to renewed bid speculation and the shares rose 3 to 146p, though the company said the move was part of its restructuring programme.

Both British Aerospace and TI Group continued to suffer from reports that American Airlines may return some of its 34 Airbus aircraft. The former gave up 7 to 243p, while the latter lost 12 to 283p. A squeeze in VSEL caused the shares to jump 8 to 591p.

Leisure conglomerate Pearson lifted 9 to 388p after a UK investment bank turned buyer on the shares.

BZW shifted its recommendation from a sell arguing that recent cost reductions would prompt analysts to reverse their recent trend and begin to raise forecasts. The house says Pearson will also benefit from the strengthening dollar - BZW has dollar/sterling averages of $1.50 for this year and $1.30 for next. Finally it is looking for UK cyclical recovery.

Selling of the British Telecom partly-paid shares continued ahead of the payment deadline next month and they closed 3½ adrift at 297½p. The fully-paid shed 3 to 403p.

Chubb Security added a penny at 264p ahead of planned presentations to UK analysts next week.

Investors searching for second-liner bargains in the food manufacturing sector picked out Dalepak Foods and the shares rose 12 to 274p. Old rights issue talk descended on Cadbury Schweppes, 7 adrift at 462p. Profit-takers took the wind from Unilever's sails, the stock tumbling 17 to 1144p. Positive press comment held up United Biscuits, steady at 348p.

Continued bid talk in Alexon was counterbalanced by speculation that the recovery story was becoming more credible and the shares added 6 at 89p.

Concern over the US drugs market hurt Boots, off 3 at 485p. US economic worries also impacted on Dixons, the high street electricals retailer, which finished 5 off at 211p.

Other stores stocks responded to a more positive CBI retail survey. W H. Smith rose 4 to 419p, Storehouse was steady at 185p, Sears gained a penny at 100p and Marks & Spencer lost a penny at 332p. Furniture sales fared less well in the report and MFI fell 5 to 121p.

Several leading leisure stocks were in demand as Smith New Court renewed its recommendation that investors go overweight in the sector. Sentiment continued to improve in Forte following its recent financing deal and renewed talk of acquisitions. The shares rose 2 to 192p.

Granada Group found itself in demand with several securities houses, including Hoare Govett and Smith New Court, recommending the stock. The shares jumped 7 to 370p.

International drinks stocks stood out with Grand Metropolitan the best performer for a second session as more brokers expressed enthusiasm for the stock. Among these, BZW reiterated its positive stance emphasising the deflationary pressures on food costs and the attractions of the group's mixture of businesses. In particular, the weak North American food market was thought to be improving.

GrandMet was boosted on Monday by inclusion in NatWest Securities' Top Ten Buy list, and the house continued yesterday to recommend a switch out of Whitbread. Whitbread shares fell 17 to 457p.

Other domestic brewers also weakened, Courage figures from Monday again casting a pall. Scottish & Newcastle lost 9 to 414p and Bass 6 to 567p. GrandMet, 17 ahead at one stage, closed 8 better at 446p. Allied Lyons gained 4 to 584p, and Guinness 8 to 465p.

Building group Wolseley improved 8 to 553p on talk that S.G. Warburg had reiterated its buy recommendation on the stock. Meanwhile, Ibstock Johnsen shed 2 to 47p on the announcement of £28m restructuring costs.

MARKET REPORTERS:
Christopher Price,
Joel Kibazo,
Peter John.

■ Other market statistics, Page 17

NEW HIGHS AND LOWS FOR 1992/93

NEW HIGHS (136).
BRITISH FUNDS (32) OTHER FIXED INTEREST (3) African Dev. 11¼pc '10, Asian Dev. 10¼pc '09, Hydro Quebec 15pc '11, CANADIANS (1) Can. Pacific, BANKS (2) Bk. Scot. 9¼pc Pf., Do 9¼pc Pf., BREWERS (1) Kirin, BLDG MATLS (3) Anglian, BPB, Kalon, BUSINESS SERVS (2) Chubb, ISS-Intl. Serv., CHEMS (3) Evode 7p Pf., Laporte, Yule Catto, CONGLOMERATES (1) Harrisons & Crosfield, CONTG & CONSTRCN (1) Berkeley, ELECTRICALS (2) Critchley, Nokia, ELECTRICITY (5) Eastern, Northern, Norweb, Seeboard, Southern, ELECTRONICS (6) Forward, Gresham, Learmonth & Burchett, Peek, Sage, ENG GEN (7) Barry Wehmiller, Clyde Blowers, FKI, Hay (N), Rotork, VSEL, Wheway, FOOD MANUF (3) Barr, Clifford, HEALTH & HSEHOLD (1) Beopak, HOTELS & LEIS (2) Pelican, Stanley, INSCE LIFE (2) Transatlantic, Utd Friendly, INV TRUSTS (24) Abtrust New Dawn B Wts., Euro. Assets, Flmg Emrg. Mkts., Flmg. Euro Fldg., Hong Kong, Do Wts., JF Indonesia Fd Inc., Mid Wynd, Murray Smllr Mkts., Do B., New Frontiers Dev., New Zealand Inv., Nth. Amer. Gas., Pacific Assets, Do Wts., R/T Cap., Do 2½pc Cv '00, Rights & Issues Inc., River & Merc Sippd. Pf., Second Cons., Siam Select Growth, Do Wts., TR Euro. Growth, Thornton Asian Emrg. Mkts., MEDIA (4) GWR, Harrington Kilbride, LWT 3.90625p Pf., Scottish TV, MERCHANT BANKS (4) Schroders, Do NV, Singer & Friedlander, Warburg, MISC (4) Bluebird, Faber Prest, Lincoln House, Ricardo, OIL & GAS (4) Bow Valley, Pict. Pittencrieff, Shell 7pc Pf., OTHER FINCL (3) Invesco MIM 9pc '95-00, Natl Home [illegible]

[illegible]

FINANCIAL TIMES EQUITY INDICES

	Feb 16	Feb 15	Feb 12	Feb 11	Feb 10	Year ago	High	Low
Ordinary share	2171.3	2187.8	2187.6	2186.0	2174.7	1983.7	2226.1	1670.0
Ord. div. yield	4.37	4.33	4.33	4.33	4.35	4.60	5.34	4.23
Earning yld % full	5.94	5.94	5.94	5.89	5.93	8.84	-	-
P/E ratio net	21.46	21.44	21.45	21.54	21.51	18.87	22.01	15.79
P/E ratio nil	19.71	19.78	19.80	19.87	19.84	17.77	-	-
Gold Mines	91.9	91.2	94.3	98.6	90.3	135.9	160.6	60.0

*for 1992/93. Ordinary share index since compilation: high 2226.1 9/2/93 - low 49.4 26/6/40
Gold Mines index since compilation high: 734.7 15/2/83 - low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2188.8	2191.6	2188.3	2180.0	2192.0	2193.2	2190.9	2188.5	2170.8	2193.2	2166.9

Volume	Feb 16	Feb 15	Feb 12	Feb 11	Feb 10	Year ago
SEAQ Bargains	30,227	31,097	38,504	33,737	30,885	33,560
Equity Turnover(£m)†	-	884.9	1488.7	1621.4	1271.5	995.40
Equity Bargains†	-	46,752	42,215	38,383	34,811	34,008
Shares traded (mil)†	-	472.8	730.2	744.1	540.2	484.5

† Excluding intra-market business and overseas turnover.

London report and latest Share Index Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2812.2 −33.7	3009.5 −13.0	1373.41 −13.55

	Feb 16	Day's change %	Feb 15	Feb 12	Feb 11	Year ago	Earnings yield %	Dividend yield %	P/E Ratio	Xd adj ytd
FT-SE 100	2812.2	−1.2	2845.9	2843.0	2834.3	2556.9	6.52	4.36	19.71	6.84
FT-SE Mid 250	3009.5	−0.4	3022.5	3006.3	3006.5	2487.5	6.88	4.30	18.39	7.00
FT-SE-A 350	1390.0	−1.0	1404.3	1401.5	1398.2	1238.3	6.60	4.35	19.41	2.96
FT-SE SmallCap	1517.67	−0.2	1520.73	1517.27	1518.39	−	5.45	4.22	25.56	4.16
FT-SE SmallCap ex Inv Trusts	1519.87	−0.1	1521.83	1518.58	1519.55	−	6.09	4.49	23.50	3.89
FT-A ALL-SHARE	1373.41	−1.0	1386.96	1384.19	1381.00	1223.50	6.53	4.34	19.69	2.97
1 CAPITAL GOODS(211)	919.90	—	920.02	919.44	921.18	787.66	6.14	4.68	21.31	1.51
2 Building Materials(27)	960.11	—	960.23	955.12	955.90	971.91	5.31	5.62	26.80	0.77
3 Contracting, Construction(29)	809.62	−0.2	811.32	817.69	817.28	889.25	3.11	6.01	80.00†	1.23
4 Electricals(14)	2635.58	−0.9	2660.49	2651.05	2690.15	2450.54	6.10	5.52	21.51	3.25
5 Electronics(35)	2480.38	+0.4	2469.82	2470.28	2480.79	1771.13	6.37	3.44	19.85	14.53
6 Engineering-Aerospace(7)	346.05	+0.1	345.56	345.25	345.55	314.74	10.22	6.78	12.46	0.00
7 Engineering-General(52)	544.88	−0.2	546.03	548.08	551.39	487.03	7.42	4.37	17.24	1.29
8 Metals & Metal Forming(11)	358.68	−0.8	361.45	359.12	362.05	327.66	4.86	3.68	29.90	0.29
9 Motors(18)	398.94	+1.1	394.68	391.41	389.90	309.36	4.97	5.87	29.64	0.00
10 Other Industrials(18)	1999.22	−0.2	2003.07	2004.87	2002.68	1604.49	6.22	4.25	19.52	0.38
21 CONSUMER GROUP(232)	1679.37	−1.1	1698.29	1695.68	1686.52	1680.94	6.97	3.52	17.86	3.39
22 Brewers and Distillers(28)	1941.68	+0.5	1931.36	1942.49	1953.24	2104.60	8.67	3.91	14.05	10.18
25 Food Manufacturing(22)	1356.22	−1.1	1371.28	1363.58	1361.02	1267.06	7.79	3.85	16.01	1.54
26 Food Retailing(16)	3152.62	−1.4	3196.54	3166.76	3084.65	2517.83	8.08	3.33	16.11	2.40
27 Health & Household(29)	3816.57	−3.4	3950.03	3956.40	3934.38	4546.18	5.83	2.97	19.98	0.54
29 Hotels and Leisure(20)	1317.64	+0.1	1316.32	1311.84	1310.94	1306.74	6.45	5.23	20.36	7.06
30 Media(33)	1851.58	−0.4	1858.76	1847.69	1853.35	1518.05	5.62	2.91	22.17	1.42
31 Packaging and Paper(23)	825.79	−0.2	827.64	824.85	822.73	737.99	6.48	3.96	19.05	0.57
34 Stores(38)	1097.89	−0.4	1102.10	1100.31	1086.51	1068.73	6.51	3.30	20.40	2.92
35 Textiles(20)	770.72	−0.6	775.38	776.20	772.90	628.41	6.39	4.12	19.82	0.49
40 OTHER GROUPS(142)	1472.61	−0.7	1483.59	1477.71	1480.48	1226.11	8.24	4.70	14.96	3.38
41 Business Services(27)	1618.87	−0.8	1631.33	1605.37	1597.95	1397.84	5.54	3.18	22.26	0.33
42 Chemicals(23)	1474.36	−1.6	1497.81	1499.36	1497.04	1503.69	6.16	4.96	20.44	0.45
43 Conglomerates(11)	1476.24	−0.9	1489.81	1487.72	1498.82	1316.67	7.16	7.13	15.80	2.79
44 Transport(16)	2841.80	−0.9	2868.49	2860.88	2864.47	2389.99	7.52	4.18	16.07	3.49
45 Electricity(16)	1596.99	−0.4	1603.23	1595.62	1597.06	1211.02	13.57	4.76	9.47	16.54
46 Telephone Networks(4)	1683.53	−0.7	1694.76	1697.31	1702.56	1404.99	7.81	4.06	16.87	1.63
47 Water(13)	3389.88	−0.7	3412.93	3384.16	3399.11	2458.75	13.34	5.23	8.33	11.83
48 Miscellaneous(32)	2471.34	−0.3	2477.93	2447.11	2448.91	1827.33	5.91	4.16	21.34	0.46
49 INDUSTRIAL GROUP(585)	1429.64	−0.8	1440.94	1437.76	1435.51	1310.59	7.26	4.14	17.22	2.92
51 Oil & Gas(18)	2313.87	−1.3	2343.97	2360.92	2378.13	2068.50	6.18	5.60	21.30	5.06
59 "500" SHARE INDEX(603)	1510.93	−0.8	1523.68	1521.83	1520.88	1381.59	7.14	4.30	17.58	3.10
61 FINANCIAL GROUP(89)	936.08	−1.7	952.84	946.77	934.98	717.04	3.62	4.87	47.80	2.45
62 Banks(9)	1291.96	−2.5	1324.65	1316.05	1286.58	870.55	6.34	4.61	22.58	5.72
65 Insurance (Life)(6)	1865.11	+0.2	1861.83	1842.49	1837.34	1411.87	2.71	4.87	65.00	0.00
66 Insurance (Composite)(7)	629.03	−2.0	641.80	636.32	636.99	483.77	‡	4.90	‡	0.00
67 Insurance Brokers(10)	776.89	−2.0	793.07	792.01	798.03	991.07	7.77	6.87	17.28	0.88
68 Merchant Banks(6)	568.83	+0.7	564.78	563.02	556.00	479.27	7.51	4.02	17.50	0.00
69 Property(28)	700.47	−0.9	707.09	707.44	710.05	784.17	8.02	6.04	16.15	1.04
70 Other Financial(23)	332.55	−0.4	333.75	332.80	333.09	245.80	6.61	5.10	19.85	0.19
71 Investment Trusts(107)	1432.35	−1.2	1449.77	1444.52	1444.00	1182.49	2.32	2.94	43.04	4.43
99 FT-A ALL-SHARE(796)	1373.41	−1.0	1386.96	1384.19	1381.00	1223.50	6.53	4.34	19.69	2.97

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	2847.0	2848.0	2839.0	2830.4	2840.4	2840.1	2839.8	2836.1	2810.9	2852.0	2808.0
FT-SE Mid 250	3024.0	3026.5	3026.7	3023.1	3025.9	3025.8	3025.1	3024.7	3009.5	3026.7	3009.5
FT-SE-A 350	1404.9	1405.5	1402.1	1398.3	1402.5	1402.4	1402.2	1400.7	1389.5	1407.0	1388.4

Gross dividend yield (ACT at 25%) FT-SE 100: 4.36%

FT-SE Actuaries 350 Industry Baskets

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous close	change
Constrcn	1591.1	1590.7	1593.3	1593.4	1593.3	1593.3	1593.3	1593.3	1590.5	1590.5	1594.9	-4.4
Health&H	1186.4	1180.9	1178.5	1169.2	1172.8	1173.6	1172.4	1164.6	1150.3	1148.6	1190.8	-42.2
Water	1412.0	1417.0	1413.7	1410.5	1409.7	1409.7	1409.7	1410.1	1402.7	1401.2	1410.5	-9.3
Banks	1606.8	1606.0	1601.0	1590.0	1594.8	1596.4	1595.6	1596.1	1570.4	1569.6	1609.4	-39.8

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT at the same address.
The increase in the size of the FT-Actuaries All-Share Index from January 4 1993 means that the FT 500 now contains more stocks. It has been renamed the FT "500". † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.
The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 Indices are compiled by the London Stock Exchange and the FT-Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules.
The FT-SE Actuaries Share Indices are audited by The WM Company.

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1992/93 high	low	Yield Int.	Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER FIXED INTEREST

	Notes	Price £	+ or -	1992/93 high	low	Yield Int.	Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

EQUITY FUTURES AND OPTIONS TRADING

STOCK index futures followed the afternoon slide on Wall Street, falling sharply after a steady performance earlier in the day, writes Joel Kibazo.

Trading in the March contract on the FT-SE 100 opened at 2,854. This proved to be the high of the day and March drifted down, mainly due to a lack of buying interest at the higher levels. By mid-morning the contract had retreated to 2,846.

However, the release of Public Sector Borrowing Requirement figures that were better than expected provided some comfort and caused a turnround in the contract as buyers emerged.

But this recovery was wiped out in the afternoon when dealers in London, seeing the falls on Wall Street as it reacted to the prospect of higher taxes, rushed to sell March in a bout of almost panic trading. Having traded at around fair value for most of the day, the contract fell to a discount which was as deep as 6 points at the worst.

March finished at 2,798, just ahead of the day's low and with a fall of 55 against the previous session. Turnover, at 12,151 lots, was healthy.

Volume in the traded options was also good, reaching 34,541 contracts by the close. The FT-SE 100 option had 9,581 lots dealt, while some 1,606 contracts were traded in the Euro FT-SE 100 option. BP, the busiest stock option, traded 2,568 lots, followed by Tesco with 2,083.

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1992/93 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs		18½xd	—	21¼	14⅝	18,581	2.4
Allegheny & W	♥	581p	-28	529p	226p	288.3	4.1
Amdahl		650p	—	1155p	436p	624.4	1.2
Amer Cyanamid		37¼	—	39⅝	28⅝	3,483	3.0
Amer Express		17⅞xd	—	17¾	10⅜	8,335	4.0
Amer T & T		38⅞xd	—	38⅞	20⅛	50,785	2.4
Ameritech		52¼	—	52¼	32½	22,877	4.8
BankAmerica		37¼xd	—	37¼	19⅜	12,781	2.8
Bankers NY		48¼xd	—	48⅜	38⅝	3,882	4.5
Bell Atlantic		36¼	—	38¼	23⅛	16,558	4.7
BellSouth		38¼	—	38¼	25	18,881	5.0
Bethlehem Steel	♥	13½xd	—	13¾	6¼	1,221	—
Bowater		1519pxd	—	1682p	905p	530.4	5.4
CPC	h	32⅝xd	—	34	22⅞	4,941	2.5
Cadiz Land Inc	♥	115p	—	342p	108p	—	—
California Engy		1420p	—	1420p	591p	258.5	—
Chase Manhattan		21½xd	—	22¼	9⅛	3,303	3.8
Chrysler		28⅞xd	—	28⅞	8¼	8,254	1.5
Citicorp		18¼xd	—	18½	5⅜	8,571	—
Colgate-Palm		41½xd	—	43⅛	25¼	6,626	2.1
Cont'l Bank		1689p	—	1691p	498p	1,088	2.5
Dana		33½xd	—	34⅜	14⅜	1,539	3.3
Data General		812p	—	1004p	384p	224.1	—
Decora Inds	♥	148p	—	146p	68p	—	—
Don & Brad		40½	—	40⅞	27⅞	7,215	3.9
Eaton		58¼	—	58⅛	32½	2,818	2.8
Echlin		18½xd	—	18⅞	7¼	1,080	2.8
FPL		27⅛xd	—	27⅛	17⅜	4,827	6.3
Ford Motor		34⅜	—	35⅜	15	18,982	2.0
Gen Elect		60⅞xd	—	61¼	36¼	51,285	2.8
General Host	♥	723p	—	723p	380p	—	3.4
Gillette		39⅜xd	—	40	23⅜	8,501	1.3
Hasbro		26⅞	—	23½	12⅛	1,816	0.7
Honeywell	h	24⅛	—	24⅛	18	3,316	2.5
Houston Inds		33¼	—	33¼	22	4,306	6.2
IBM		34⅞xd	-1½	64½	29⅝	19,613	4.3
Ingersoll-Rand		24½xd	—	25	12⅜	2,589	2.0
Lockheed		42¼	—	42½	22⅞	2,582	3.5
Lowe's	h	1858p	—	2102p	815½p	1,458	1.0
Merrill Lynch		45⅞xd	—	45¼	24⅞	4,739	1.8
Morgan (JP)		44⅞xd	—	44⅞	28⅞	8,436	3.7
Morris (Philip)		51½xd	—	52¼	37⅞	47,372	2.3
NYNEX		61⅛	—	61⅛	39⅞	12,629	5.2
Pall		15xd	—	15	9⅞	1,737	1.5
Pennzoil		39⅞xd	—	39⅞	23⅛	1,398	5.3
Quaker Oats		45¼xd	—	45⅞	28	3,298	2.9
Rockwell		20¼xd	—	21⅛	11½	4,441	3.1
Rep NY		33⅞xd	—	34⅛	20⅞	1,733	2.2
Sears, Roebuck		37¼xd	—	37¼	19⅛	12,882	3.0
Sthwestern Bell		50	—	50	31⅜	14,982	4.0
Sun Co		20xd	—	21⅛	12⅜	2,125	6.2
Tenneco		31⅞xd	—	31⅞	18½	4,848	3.5
Texaco		43⅛xd	—	44⅛	30⅜	11,157	5.1
Time Warner	h	23⅞xd	—	*24⅝	11½	8,870	0.8
Unitab	♥	450p	—	587p	320p	284.8	—
URS Intl. 1c	☘	0½p	—	1¼p	0¼p	0.51	—
US West		28⅛	—	28⅝	18¾	11,936	5.1
Varity		2031p	—	2041p	632p	614.2	—
Waste Manage		25⅞xd	—	27⅞	16⅞	12,561	1.4
Whirlpool		3506pxd	—	3624p	1768p	2,458	2.2
Woolworth	♥	20	—	23	13¼	2,622	3.9

CANADIANS

	Notes	Price £	+ or -	1992/93 high	low	Mkt Cap£m	Yld Gr's
Abbott Energy	♥	2p	—	2p	1¼p	—	—
Amer Barrick		1143pxc	-11	1154p	634p	1,617	0.8
Bk Montreal		25¼	-⅜	25⅝	19¼	3,109	4.8
Bk Nova Scot		1316p	-31	1348p	899p	2,711	4.3
BC Gas	♥	771p	-30	878p	621p	—	4.2
BCE		25¼	-½	25¼	18⅞	7,834	5.7
Brascan	♥	612p	-1	989p	454p	504.7	9.7
Breakwater	♥	19½p	+½	33p	6p	9.88	—
Can Imp Bk		1517p	-12	1610p	1157p	2,882	4.7
Can Pacific		987p	+2	987p	689p	3,083	1.8
4pc Deb		40	—	40	34	18.7	10.0
Denison	♥	273p	-8	338p	221p	—	5.8
Echo Bay	♥	372p	+14	469p	365p	391.2	1.3
Gulf Can	♥	214pxd	+3	490p	147p	339.5	—
Hawker Sid	♥	11¼	—	12⅞	9¼	92.3	6.2
Hudson's Bay	♥	1686p	—	1698p	1118p	907.2	2.6
Imperial Oil	♥	24½xd	—	24½	18⅞	4,749	4.0
Inco		17xd	-⅛	19¼	12⅞	1,853	1.6
N A Tire Recycling	♥	51p	+6	63p	27p	4.38	—
Nova Corp Alberta		484p	—	484p	319p	1,481	2.6
Rio Algom	♥	1083p	—	1096p	675p	473.7	3.0
Royal Bk Can		1358p	-24	1423p	1018p	4,381	4.5
TVX Gold	♥	143½p	—	184p	130p	23.3	—
Toronto-Dom		912p	-4	975p	743p	2,745	5.0
Trans Can Pipe	♥	933p	-4	940p	758p	1,835	6.1

BANKS

	Notes	Price	+ or -	1992/93 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£19⅝	-⅛	£19¾	£12⅞	5,432	5.8	9.5
ANZ A$		156	+1	*197½	105	1,909	5.8	—
Abbey National	†□	351	-6	399	245½	4,601	4.0	12.1
Allied Irish I£	†□	181	-4	205	154	1,284	5.8	11.7
Anglo Irish I£	□	37	-1	*50	32	44.5	12.4	7.8
Asahi Y		516	-6	530	229	11,972	1.0	44.6
Banco Bil Viz Pts		£16⅝	-⅞	£17	£11½	3,849	5.7	6.5
Banco Sant Pts		£27⅞	-⅛	£30⅛	£18	3,074	5.1	φ

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1992/93 high	low	Yld Gr's	NAV	Dis or Pm(-)
Scottish Inv		193	-3	200	147	3.2	231.1	16.3
Warrants		44	—	48	21	–	–	–
Scot Mortgage		167	-3	198½	135	2.8	217.9	13.7
Scot National Inc		91½xd	-½	107	65¾	10.9	–	–
Cap		21	-1	42	12½	–	58.0	62.1
Stepped Pf		151xd	+½	156½	125	6.4	–	–
Zero Div Pf		208½	-½	212	165½	–	–	–
Warrants		4	—	9	3	–	–	–
Scot Value		76½	-½	77½	48	3.1	75.6	-1.6
Sec Alliance		1475	-5	1493	1068	3.3	1594.5	7.5
Second Consld.		108	+1	108	88	–	186.8	42.7
Second Market		296	—	296	222	0.7	336.8	12.1
Sec Tst Scot		81½	-1	83½	61	8.3	83.3	1.8
Select Assets		122	-1	126	78½	1.3	166.4	26.1
Eq Ind Serl		128	-2	133	106	4.4	–	–
Eq Ind Serll		130	-1	133	106	4.4	–	–
SHIRESCOT		120	-1	123	95	5.8	118.9	-1.8
Shires		257	-2	262	188	9.6	238.4	-8.0
11pc Cv Ln '03/04		£131½	—	£131½	295½	8.4	–	–
Slam Select		133	+2	139	88	6.3	165.6	20.0
Warrants		37	+2	37	10	–	–	–
Smaller Cos		98	—	99	66	3.4	101.3	3.7
Warrants		24	—	25	10	–	–	–
Sphere Inc		17	-½	20	9½	26.3	30.4	42.5
Zero Div Pf		84	—	85¼	63¼	–	–	–
Summit		46	+1	55	30	3.7	95.5	51.9
TR City of Lon		133	-2	137	87½	4.8	127.4	-4.8
TR Euro Growth		98	+1	99	70	1.8	108.8	9.5

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

INVESTMENT COMPANIES

MEDIA

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

	Notes	Price	+ or -	1992/93 high	low	Mkt Cap£m	Yld Gr's
Europa Mnls		18	—	52½	7	7.72	–
Glencar Expl I£		7	—	16	6	1.29	–
Greenwich Res		9	-½	11	2	8.94	–
Hemlo Gold C$		84⅝	—	£5⅞	£3½	421.8	2.3
Ivernia West I£		45	—	53	30	22.6	–
Kalle Mnls I£		6	—	42	6	0.14	–
Kenmare		7	-¼	8	2¼	6.72	–
Mellnga Res.		20	-2½	48	8	2.21	–
Navan Res I£		34	—	34	16	4.59	–
5pc Ln Notes		28	—	30½	25	5.09	–
Oryx Gold		58½	—	103	46¾	–	–
Plateau		3½	—	13	3	1.37	–
RTZ		656	-7	689	469	6,579	4.0
Vizcaya		4¼	+¼	4¼	1	2.27	–

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ф Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- ‡ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v Not subject to ACT. z Dividend yield includes a special payment. E Auction basis. F Yield based on prospectus or other official estimates for 1994-95. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1993. K Yield based on prospectus or other official estimates for 1992-93. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1993-94. N Yield based on prospectus or other official estimates for 1992. P Figures based on prospectus or other official estimates for 1994. R Forecast annualised yield, p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Ring +44 81-643 7181 (open 24 hours including weekends) or fax +44 81-770 0544, quoting the code FT8419. Reports will be sent the next working day, subject to availability. Please remember to state the weekly changing code above.

FT Cityline

Real time share prices and other stock market information is available through the FT Cityline international telephone service.
Annual subscription £250.00 stg.
Call +44 71-925 2128 for more details.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE. The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

Prolific Life & Pensions Ltd

Stramongate, Kendall, Cumbria LA9 4UB 0539 733733

Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or −	Yield Gross
Life Funds				
Balanced Grth Mngd	674.4	717.5	−1.8	−
Adventurous Mngd	167.8	178.6	−1.3	−
Cautious Mngd.	128.9	137.2	−0.2	−
Cash Fd	317.7	334.8	...	−
Property Fund	216.7	230.6	.	−
Equity Fund	788.9	839.3	−5.5	−
Fxd. Int. Fund	417.4	439.9	+0.4	−
International	351.6	374.1	−2.6	−
High Income	599.2	637.5	+0.5	−
Far East	473.6	503.9	−4.6	−
North American	480.1	510.8	−5.8	−
Special Sits	551.2	586.4	−1.5	−
Technology	473.3	503.6	−4.5	−
Extra Inc Fd	326.7	347.6		−
Convertible & Gilt Fd	159.3	169.5	−0.1	−
American Income	193.0	205.4	−2.6	−
Gilt Fund 20	447.5	476.1	+0.3	−
European Fund	125.9	134.0	−1.1	−
Pref & Fixed Int	113.9	121.2		−
UK Blue Chip	118.3	124.7	..	−
Recovery Fund	116.5	122.8	−0.2	−
Equity Income Dist.	109.1	116.1	−0.5	4.88
Managed Dist.	103.4	110.0	−0.5	5.60
High Yield Dist.	105.2	110.9	−0.2	8.35
Pension Funds				
Balncd Gth Mgd Pens Acc	798.2	840.3	−3.1	−
Adventurous Mgd Pens Acc	178.5	187.9	−1.7	−
Cautious Mngd Pens Acc	149.6	157.5	−0.1	−
Building Soc. Acc	366.6	385.9	.	−
Property Pens. Acc	295.4	311.0		−
Fix. Int. Pens. Acc	658.4	693.1	+0.5	−
Equity Pens Acc	1035.0	1089.5	−9.2	−
International Pens Acc	329.9	347.3	−2.9	−
High Inc Pens Acc	676.0	711.6	+0.7	−
Tech Pens Acc	335.1	352.8	−4.0	−
N American Pens Acc	370.5	390.0	−3.5	−
Far Eastern Pens Acc	485.5	511.1	−4.8	−
Special Sits Pens Acc	455.0	479.0	−1.8	−
Extra Income Pens Fd	402.0	423.2	−0.3	−
Convertible & Gilt Pen	144.8	205.1	−1.6	−
American Inc Pens	226.5	238.5	+0.8	−
European Pens	140.8	148.3	−1.4	−
Managed Cash Pens	172.7	181.8		−

Reliance Mutual

Reliance House, Tunbridge Wells, Kent

J Rothschild Assurance PLC

J Rothschild House, Dollar Street, Cirencester

Telephone: 0285 640302

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

MANAGEMENT SERVICES

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

	Bid Price	Offer Price	+ or -	Yield Gross
John Govett Management (IoM) Ltd				
Bir Govett Curr NAV Feb 12	$15.12		-	-
Paragon Plus Rsd Feb 1	£9.85		-	-
Paragon Stlg Rsd Feb 1	£11.33		-	-
SE Asian Wt NAV Feb 11	$9.75		-	-
Govett Mgd Ftre Feb 12	£13.64	14.92	-	-
Govett Mngd Ftrs Feb 12	$9.64	10.55	-	-
Max Horizons Inv Feb 11	$14.96		-	-
Max Horizons Inv Trs Feb 11	$7.15		-	-
Dlr Geared Bd Feb 12	$7.36		-	-
IBI Global Funds Limited				
Intl Stlg Gwth	£21.75	22.91	-	-
Intl $US Gwth	$18.14	19.10	-	-
High Income Gilt	£26.49	27.47	-	-
International Equity	£22.46	23.65	-	-
International Bond	£24.25	25.14	-	-
Managed Currency	£28.06	28.35	-	-
Sterling Currency	£26.79	27.07	-	-
US$ Currency	$37.87	38.26	-	-
Irish £ Currency	I£15.81	15.98	-	-
R & H Fund Managers Ltd				
LFM Sterling Fd	£11.18	11.66	-	-
B F Offshore Inc Fd Ltd	£12.54	13.08	-	-
IMC Offshore Fd	£10.01	10.84	-	-
Nelson Mines W/W S/S	£11.49	11.75	-	-

JERSEY (SIB RECOGNISED)

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Fund Managers (CI) Ltd						
PO Box 468 St Helier Jersey 0534 36633						
AIB Currency Funds Ltd						
Intl Managed Bond	5		I£-22.5846	22.9817	-	-
Managed Capital Bd	5		I£-22.2834	22.3180	-	-
AIB Geared Currency Fund Limited						
Stlg Mngd Currency	5		£-	11.1063	-	-
Sterling Currency Fd	5		£-	10.6566	-	-
Ecu Currency	5		Ecu-	11.0749	-	-
US Dollar Mngd Curr	5		$-	21.6944	-	-
Barclays International Funds						
PO Box 152, St Helier, Jersey CI 0534 67888						
Australian Eq (Inc)	5¼	£1.020	1.026	1.097	[illegible]	1.4
Global Income (Inc)	5¼	£0.557	0.557	0.596	[illegible]	2.9

	Bid Price	Offer Price	+ or -	Yield Gross
Lloyds Bank Trust Co (CI) Mngrs				
Lloydstrust World Inv Port	£2.629	2.761	-	1.21
Dealing Weekly on Thursday				
Management International (Jersey) Ltd				
Anchor Gilt Edge (z)	£10.08	10.13	-	9.28
Minerals, Oils Res. Shrs. Fd. Inc.				
Moros Feb 11	$13.79	14.08	-	2.84
Nat. Westminster Jersey Fd. Mgrs. Ltd				
Sterling Income (z)	93.6	98.0	-	7.25
UK Equity Fd (z)	227.4	242.0	+0.02	2.64
*Intl Bond Fd	100.8	104.0	-	6.51
*Sterling Mngd Asset Fd	566.3	586.0	-	4.60
*Sub. day every Thurs.				
NatWest TrustCur Currency Fund (z)				
Dollar Class	$38.3461		+0.0159	-
Sterling Class	£27.2159		+0.0032	-
D-Mark Class	DM84.6985		+0.0178	-
Japanese Yen Class	Y8001.0370		+0.8525	-
Ashburton Replica Portfolio Ltd				
Ashburton Replica Ptfolio Ltd £	11.79	12.26	-	-
Ashburton Replica Ptfolio Ltd $	$10.70	11.32	-	-
Northgate Unit Tst. Mngr. (Jersey) Ltd				
Pacific Fund Feb 2	$35.92	38.21	-	-
Perpetual UT Mngrs (Jersey) Ltd				
Offshore Intl Gwth Fd	$3.7147	3.9477	-	-
Offshore Japanese Gwth Fd	$0.9363	0.9951	-	-
Offshore Am Gwth Fd	$6.7925	7.2182	-	-
Offshore Emerging Cos	$4.1496	4.4098	-	-
Offshore European Fd	$1.5573	1.6550	-	-
Offshore Global Bond	$0.9796	1.0205	-	-
Offshore Global Bond Acc	$0.9796	1.0205	-	-
Offshore Far Eastn Fd	$2.4887	2.6448	-	-
Offshore UK Growth Fd	$1.9735	2.0973	-	-
The Portugal Fund Limited				
Lloyds Bank Trust Company (Channel Islands) Ltd				
NAV Feb 12		$4.30	-	-
Royal Bk of Scotland Fd Mngrs (Jersey) Ltd				
Ivory Growth Fund	£15.63	15.87	-	1.43
LFM Defensive Srtgy	£11.68	12.29	-	-
Royal Trust Intl Fd Mngt Ltd				
Sterling Fxd Int (z)†	99.40	99.40	-1.00	6.87
International Bond (z)†	$1.123	1.135	+0.002	5.29
†Prices on Feb 10. Next dealing Feb 17.				
Schroder Mngt Services (Jersey) Ltd				

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar takes late knock

THE DOLLAR fell sharply in late European trading as the US stock market fell in response to President Clinton's Monday night address, *writes Emma Tucker*.

Strong signals from the President that he plans an early assault on the budget deficit prompted fears in the market that high tax increases would stymie the economic recovery.

"The market is worried that President Clinton's plans to increase taxes will slow down growth and depress company profits," said Mr Brian Hilliard, international economist at Societe General Strauss Turnbull.

The dollar sank over two pfennigs to close in London at DM1.6315 from Monday's close of DM1.6590. The US currency also slid against the yen to Y119.65 from a previous close of Y120.90.

Sterling benefited from the dollar slide, closing almost three cents higher against the US currency at $1.4475. Mr Neil MacKinnon, chief economist at Citibank in London said sterling was enjoying a temporary respite from bad news on the economy. He added that today's retail sales figures were expected to be quite good and that the market had already priced in a month-on-month rise of about 0.6 per cent.

A Confederation of British Industry survey earlier this week suggested that today's official figures could show an even stronger rise. The slightly more optimistic mood was reinforced by figures showing that the government repaid £3.83bn last month. Although the figure will not alter general gloom about the state of public sector finances in the UK, it was better than forecasts for a £0.9bn repayment.

The pound was also higher against the D-Mark, closing a pfennig up on the day at DM2.3625. In early US trading, however, sterling lost some of its gains against the German currency, with US dealers said to be sceptical about yesterday's relatively better economic data.

Trading in other European currencies was quiet, although the lira suffered from rumours of a corruption scandal and reports that last year's budget deficit had overshot earlier estimates by L11,000bn.

"So long as there is a question mark over the government's ability to push through its privatisation programme and bring down its budget deficit there will be problems for the lira," said Mr MacKinnon.

It closed at L943.3 against the D-Mark down from the previous close of L935.0. Dealers said the next technical resting point for the lira above a close of L945.0 would be L990.0. Pressure is said to be building on current levels and if political worries intensify dealers expect the Italian currency to lose ground rapidly.

The D-Mark was mostly stronger, climbing higher against the dollar, lira, pound and yen, but it retreated slightly against the Swiss franc after Monday's firm close.

£ IN NEW YORK

Feb 16	Latest	Previous Close
£ Spot	1.4480-1.4490	1.4200 1.4210
1 month	0.36-0.34pm	0.35 0.34pm
3 months	1.78-1.73pm	1.03 1.02pm
12 months	2.77-2.67pm	2.70 2.60pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Feb 16	Previous
8.30 am	76.4	76.0
9.00 am	76.4	76.0
10.00 am	76.4	76.0
11.00 am	76.6	76.0
Noon	76.7	75.9
1.00 pm	76.6	75.9
2.00 pm	76.6	76.0
3.00 pm	76.8	76.0
4.00 pm	76.9	76.1

CURRENCY RATES

Feb 16	Bank rate %	Special* Drawing Rights	European† Currency Unit
Sterling	-	0.964134	0.822463
U.S Dollar	3.00	1.36907	1.18065
Canadian $	6.40	1.71846	1.47840
Austrian Sch.	8.25	15.8922	13.6695
Belgian Franc	7.50	46.5484	40.0652
Danish Krone	11.50	8.65526	7.45400
D-Mark	8.00	2.25664	1.94287
Dutch Guilder	7.50	2.53757	2.18774
French Franc	10	7.63393	6.57679
Italian Lira	11.50	2109.27	1826.15

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Feb 16	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	142.150	138.962	-2.24	2.71	39
Portuguese Escudo	180.624	177.545	-1.70	2.15	29
Irish Punt	0.809996	0.796657	-1.65	2.09	66
Dutch Guilder	2.20045	2.18774	-0.58	0.99	20
D-Mark	1.95294	1.94287	-0.52	0.93	22
Belgian Franc	40.2802	40.0652	-0.53	0.95	17
Danish Krone	7.44934	7.45400	0.06	0.35	-11
French Franc	6.54988	6.57679	0.41	0.00	-33

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu: a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times

POUND SPOT - FORWARD AGAINST THE POUND

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

CURRENCY MOVEMENTS

OTHER CURRENCIES

*Floating rate. Iran Official rate £98.50 $66.30

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

* Contracts traded on APT. Closing prices shown

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4475	1.4440	1.4371	1.4297	1.4203

BASE LENDING RATES

MONEY MARKETS

European futures rise

EUROPEAN FUTURES markets were buoyed by yesterday's news that German civil servants are to receive a lower than expected wage increase next year.

Mr Hermann Otto Solms, parliamentary leader of the Liberal Free Democrats said civil servants would get a pay increase of 3 per cent to take effect from May 1. This was less than the market expected and prompted a 8 basis point rise in the March Euromark contract as dealers weighed up the possibility that the Bundesbank would cut rates earlier than expected. The December French franc contract rose by about 6 basis points.

The small rally was given an extra boost by a market rumour that the Bundesbank would surprise everyone by announcing a rate cut at its council meeting tomorrow and that the next set of money supply figures would be towards the bottom end of the central bank's target range.

German call money rates were tighter, however, as strong outflows of funds for tax payments continued to drain liquidity from the German money market.

In the UK, short sterling futures stood on the sidelines, trading in a very narrow range while longer dated interbank rates were virtually unchanged on the day.

However, this inactivity masked some stickiness in Bank of England operations where the failure to remove a large liquidity shortage pushed overnight rates to over 6 per cent.

In the morning the Bank announced a £950m forecast liquidity shortage, but did not operate in the early round. A squeeze on rates at the short end continued when the Bank revised the shortage upwards to £1.05bn but removed only £50m. Tensions were eased in the afternoon when the Bank more than removed the shortage by purchasing £1.01bn of bills. The overnight rate then dropped back to below 6 per cent.

Some dealers speculated that the Bank was underlining its desire to support sterling at current levels by deliberately keeping liquidity tight, but others said the failure to remove the shortage in the morning reflected reluctance among money market practitioners to part with paper.

The March short sterling contract stood at around 94.05 at the close. Mr Nick Parsons, economist at the Canadian Imperial Bank of Commerce said he expected to see the contract drift lower to around 93.82 over the next few weeks as prospects for a pre-Budget rate cut receded.

FT LONDON INTERBANK FIXING

(11.00 a.m. Feb.16) 3 months US dollars		6 months US Dollars	
bid 3 1/8	offer 3 1/4	bid 3 1/4	offer 3 3/8

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime					
Prime rate	6	One month	2.84	Three year	4.62
Broker loan rate	5	Two month	2.84	Five year	5.48
Fed.funds	3 1/8	Three month	2.99	Seven year	5.94
Fed.funds at intervention	-	Six month	3.17	10-year	6.31
		One year	3.40	30-year	7.12
		Two year	4.10		

Feb.16	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.60-8.70	8.45-8.60	8.35-8.50	8.25-8.40	7.85-8.00	9.00
Paris	11 1/4-11 1/2	11 3/4-12	-	11 3/4-12	-	9.10
Zurich	7 1/4-7 1/2	5 11/16-5 13/16	-	5 7/16-5 9/16	-	-
Amsterdam	8.31-8.43	8.22-8.32	-	7.98-8.08	-	-
Tokyo	3 1/4-3 1/2	3 3/16-3 5/16	-	3 1/8-3 1/4	-	-
Milan	11 1/4-11 1/2	11 3/4-11 7/8	-	11 1/2-11 3/4	-	-
Brussels	-	9 1/4-9 1/2	-	9 1/8-9 1/4	-	-
Dublin	13-13 1/2	15-16	14 1/4-14 1/2	14-14 1/2	13 1/4-13 1/2	-

LONDON MONEY RATES

Feb 16	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	6 1/2	5 13/16	6 1/8	6 1/4	5 13/16	5 3/4
Interbank Bid	3	5 11/16	6 1/4	6	5 11/16	5 11/16
Sterling CDs	-	-	6 1/8	6 1/16	5 13/16	5 3/4
Local Authority Deps.	5 3/4	6 1/4	6 1/8	6 1/4	5 13/16	5 3/4
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	6 1/2	6	-	-	-	-
Company Deposits	-	-	-	-	-	-
Finance House Deposits	-	-	6 3/8	6 1/4	5 15/16	5 13/16
Treasury Bills (Buy)	-	-	5 3/4	5 3/4	5 5/8	-
Bank Bills (Buy)	-	-	5 3/4	5 3/4	5 5/8	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	3.04	3.12	3.24	3.52
SDR Linked Dep. Offer	-	-	5 1/2	5 1/4	5 1/4	5 1/8
SDR Linked Dep. Bid	-	-	5 3/8	5 1/8	5 1/8	5
ECU Linked Dep. Offer	-	-	9 3/4	9 5/8	9 1/4	8 3/4
ECU Linked Dep. Bid	-	-	9 1/2	9 3/8	8 15/16	8 1/2

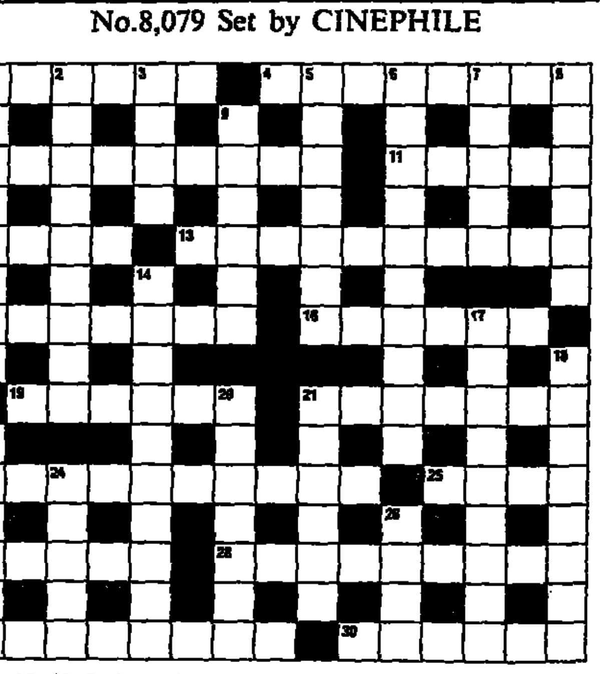
MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

CROSSWORD

No.8,079 Set by CINEPHILE

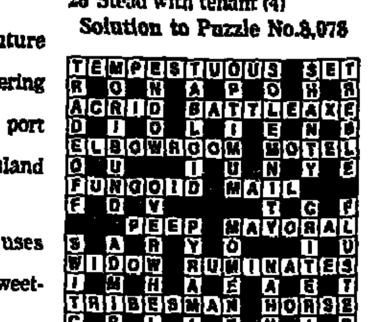


8-15, 20, 30, 3-12, 6, 29 and 18 form the Midwest, as it were

ACROSS
1 Copper eaten by missing insect (6)
4 Posh doctors in boat give pantomime (4,4)
10, 25 Impossible solver's biography? No way! (3,2,4,4)
11 Singular play, one of three, in competition (5)
12 Spring fit... (4)
13 ...It's concerned with one in stillness (10)
15 Court scene on most of either pole (7)
16 Fraction of altitude, start to finish (6)
19 In disorder just the same? (6)
21 Garment, opposed to trouble, creates self-confidence (7)
23 Gather, from "Mu", a cat - clue's terrible (10)
25 See 10
27 Island of historic or future importance (5)
28 Attacker is a rogue entering obliquely (9)
29 Town - first answer's a port (8)
30 Leicester's useless grassland (6)

DOWN
1 German army reserve uses lard when cooking (8)
2 Cowboy with pet model sweetheart (9)
3 Grains called George (4)
5 Lift refined eulogy (7)
6 Flier docked with Chinese radio operator in city (10)
7 Harbour own name? (5)
8 Pack tracker? Could be you with initial change of direction (6)
9 Rule: N under G? (6)
14 Where river ends with foam? (2,3,5)
17 "Ta-ta, hills!" shows nothing remains to be done (4,2,3)
18 Where one's ignored on the garden line (8)
20 Where cabbage salad turns up with everything (7)
21 Crazy one beset with folly (6)
22 Party organisation, as removed from range (6)
24 Song from America - "Rolling home" (5)
26 Stead with tenant (4)

Solution to Puzzle No.8,078



WORLD STOCK MARKETS

CANADA

TORONTO

4 pm close February 16

MONTREAL

4 pm close February 16

INDICES

NEW YORK

DOW JONES

STANDARD AND POOR'S

NEW YORK ACTIVE STOCKS

TRADING ACTIVITY

CANADA

TORONTO

JAPAN

TOKYO - Most Active Stocks

Tuesday, 16th February, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Isuzu Motor	5.1m	375	-3	Kaisei Elec	3.2m	802	+13
Npn Steel Corp	4.2m	295	-2	Marui	2.6m	1,290	+30
Sumitomo Mt Ind	3.8m	274		Nomura Sec	2.1m	1,520	+20
Shizuoka Bank	3.3m	1,220	-20	Chiba Bank	2.1m	910	-10
Daikyo Kanko	3.2m	855	-4	Kyodo Shiryo	2.0m	384	-3

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close February 16

1992/93 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
15⅞	10¾	AAR Corp	0.48	4.1	21	444	12⅛	11⅝	11¾	-⅜
28½	18	A L Labs A	0.18	0.7	160	639	25¾	25¾	25¾	-½
68¾	52⅝	AMP Inc x	1.60	2.9	20	2157	58	56	56	-2
80¼	34⅞	AMR			9	4703	62⅞	60⅝	60⅝	-2⅞
2⅜	1⅜	ARX			12	60	2	1⅞	1⅞	
53½	29⅞	ASA x	2.00	5.5	24	1339	37	35⅞	36½	+1⅛
34¼	25	Abbott Lab	0.60	2.3	18	16362	27⅛	25¼	26⅝	-1⅜
13⅞	10⅞	Abitibi Pr	0.50	4.5	4	8	11	11	11	-⅛
11⅝	10⅛	ACM Gvt In x	0.96	8.5		254	11⅜	11¼	11¼	
10⅝	9	ACM GvOpp x	0.80	8.5		137	9⅜	9¼	9⅜	+⅛
9¾	8½	ACM Gvt Sp	0.80	8.8		162	9⅜	9⅛	9¼	-⅛
11⅞	9⅞	ACM Gvt Se	0.96	8.7		72	11	10⅞	11	
10⅝	8⅝	ACM Man x	1.08	10.7		145	10¼	10	10⅛	-⅛
12⅞	8⅝	ACM Managd x	0.78	8.4		199	9¼	9⅛	9¼	+⅛
11¾	4¾	Acme Cleve	0.40	4.9	17	81	8½	8⅜	8⅛	-⅜
9¼	3¾	Acme Elect			775	51	7¾	7⅝	7¾	-⅛
33¼	13½	Acuson			12	1151	13¾	d13½	13½	-⅜
21⅛	18⅛	Adams Expr x	0.48	2.3	1	237	20⅝	20½	20⅝	-⅛
50	29½	Ad Micro	3.00	6.2		990	49⅞	47½	48	-1¾
21½	7½	Ad Micro P	3.00	15.3	7	12955	21⅛	19⅞	19⅝	-1⅞
8⅛	4⅞	Advest Grp	0.16	2.8	12	128	6⅜	6⅛	6⅛	-¼
45⅞	33	Aegon ADR	1.35	3.1	8	76	44⅝	44¼	44¼	-¼
53¾	38	Aetna Lf	2.76	5.7	14	7873	48½	45⅛	48⅛	-¾
14½	8⅜	Aff8 A x	0.24	2.0	30	888	12⅜	12	12⅛	-⅛
36½	24	Aflac x	0.44	1.2	16	1162	35⅞	35⅛	35¼	-⅝
22⅛	13	Ahmanson x	0.88	4.5	8	1212	19¾	19¼	19⅜	-¼
22½	4	Aileen Inc			11	372	7¼	6⅝	6⅝	-½
49½	38½	Air Pr Chm	0.88	2.0	17	3000	45¾	43¾	43¾	-1⅞
[illegible]										

- B -

[illegible]

- C -

[illegible]

- D -

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NYSE COMPOSITE PRICES

1992/93 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
Continued from previous page										
22⅝	14⅞	Ruddick	0.24	1.1	16	173	21⅞	21½	21¾	+⅛
37	18	RussBerrie	0.70	2.6	8	1865	27	26½	26¾	-⅛
40⅝	27¾	Russell Cp x	0.38	1.1	18	273	33½	33¼	33⅜	-⅛
32¼	19⅝	Ryder Syst	0.60	2.1	20	2378	30⅝	28⅝	28¾	-1⅝
28	18½	Ryland Grp	0.60	3.2	11	891	19⅛	d18	18⅝	-½
- S -										
21	16⅞	S Anita Rt	1.36	6.8	27	110	20⅛	19½	20	
20¼	13⅛	SCOR US Cp	0.28	1.4	17	81	u20¼	20	20¼	+¼
29½	19	SPS Techno	1.28	6.4	14	58	20⅛	20	20	-⅝
15⅛	12⅛	Sabine Rlt x	1.25	9.4	10	70	13¼	13¼	13¼	
11⅞	7¾	Safecard	0.10	0.9	14	944	10¾	10⅝	10⅝	+⅛
23½	11⅞	Safeg'd Sc			9	171	20¼	19⅞	20	-¼
32¼	21¾	SafetyKln	0.36	1.6	28	2143	22¼	21⅞	22	
20¼	9⅝	Safeway			14	1399	12⅝	12⅛	12⅜	-½
4⅝	2	SafewayW96				697	2½	2¼	2¼	-¼
41⅞	28⅞	StJoePaper	0.20	0.5	43	258	38½	37¾	37⅞	-½
34¾	28⅞	StJoeL&P	1.76	5.2	15	28	33⅞	33⅝	33⅝	-¼
83¼	66½	St Paul's	2.80	3.6	20	3219	81	78⅜	78½	-2½
10	2⅞	Salant Crp			5	67	8⅞	8⅝	8⅝	-⅜
76	57⅞	Sallie Mae	1.20	2.1	13	10227	58½	d56⅝	56⅝	-1⅞
14⅞	13	Salomon Br x	0.67	4.6		1080	13½	13⅛	13¼	-⅛
41⅞	26¾	Salomonlnc	0.64	1.6	9	3548	41⅛	39⅛	39¼	-1⅞
25⅞	21¼	SanDgo G&E	1.44	5.7	14	481	25¼	25	25¼	+⅛
4⅞	2⅞	SantaFeEDu	0.40	10.8	43	20	3⅞	3¾	3⅞	
9⅞	7	SantaFeERs	0.16	1.7	137	482	u9⅞	9⅝	9⅝	
39¼	30¾	SantaFePac	2.80	7.5	13	67	37⅝	36⅞	37½	-⅜
15⅛	10⅝	SantaFeSth	0.10	0.7	41	5111	14½	13⅞	14	-⅝
32½	27	Sara Lee	0.58	2.1	21	7486	28½	27⅞	28¼	-¼
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NASDAQ NATIONAL MARKET

4 pm close February 16

[illegible]

AMEX COMPOSITE PRICES

4 pm close February 16

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AMERICA

Dow tumbles on Clinton tax proposals

Wall Street

US share prices tumbled across the board in heavy trading yesterday after investors greeted details of President Bill Clinton's economic proposals with a negative response, *writes Patrick Harverson in New York*.

At 1 pm, the Dow Jones Industrial Average was down 77.81 at 3,314.62, near its low for the day. The index has fallen 128 points, or 3.7 per cent since it reached a record high of 3,442.14 earlier this month.

The more broadly based Standard & Poor's 500 was also sharply lower at midsession, down 9.88 at 434.70, while the Amex composite was 10.78 lower at 404.69.

The Nasdaq composite, which has risen the furthest in recent months, was the hardest hit, shedding 27.09 to 663.45. Trading volume on the NYSE was 211m shares by 1 pm, and rises outnumbered declines by more than five to one.

After incurring sizeable losses last week, the markets opened in a depressed mood following the extended President's Day weekend.

Mr Bill Clinton's television address on Monday night was the main cause for the weakness in equities. In the broadcast, he warned that a wide range of tax increases would be introduced which, he hoped, coupled with selective spending cuts, would go some way towards shrinking the huge federal deficit.

Investors disliked what they heard, fearing that the tax increases and spending cuts would hinder the economic recovery which has begun only recently to gather pace. They were also disappointed that there was no mention of a reduction in capital gains tax.

Consequently, investors rushed to liquidate some of their holdings in an attempt to cash in profits earned during the record-breaking rally earlier this month.

Drug and healthcare stocks were especially hard hit because of concern that health system reforms will involve placing restrictions on pharmaceutical prices and healthcare costs.

The sector leader, Merck, fell $3⅞ to $37⅞, while Schering-Plough tumbled $4⅞ to $59⅝, Pfizer gave up $4⅞ at $59⅞, and Johnson & Johnson slipped $2⅞ to $43⅞.

Leading Dow issues were all victims of the sell-off: IBM fell $1⅞ to $49⅞, Philip Morris dropped $1⅞ to $71⅞, AT&T slipped $1⅞ to $52⅞, JP Morgan fell $1 to $61⅞ and Sears, Roebuck gave up $2⅞ at $50⅞.

On the Nasdaq market, selling was particularly fierce. The biggest losers in the healthcare sector were US Healthcare, $4⅞ lower at $43⅞, Healthcare Compare, down $4⅞ to $16½, Coventry, down $4⅞ to $22½, and Pacificare, down $5⅞ at $21⅞.

Technology stocks also took large losses, with Microsoft down $3⅞ at $80⅞, Intel $6 lower at $105, and Apple down $1⅞ at $52⅞.

Canada

TORONTO stocks sank to session lows at midday, following the dive in US blue chips. The TSE-300 composite index was down 36.2 at 3,406.00 in volume of 33.8m shares valued at C$350m.

Canadian stocks listed in the US were the biggest losers. Magna International class A shares fell C$3⅞ to C$37, Cott Corp dropped C$2⅞ to C$32⅞ and Newbridge Networks eased C$6 to C$52.

SOUTH AFRICA

GOLD shares were stronger on the expectation of renewed US interest this week and the index closed 47 higher at 1,008. The overall index added 33 at 3,507 and industrials advanced 33 to 4,583. Vaal Reefs rose R7.25 to R181.

EUROPE

Late closing bourses feel effect of US weakness

BEFORE Wall Street opened yesterday, Frankfurt was showing relative strength in a dull Europe and strategists were saying that the Netherlands, Switzerland and Spain looked like better value, *writes Our Markets Staff*.

Afterwards, the late closing markets – including the Netherlands, Switzerland and Spain – were more obviously marked by the Dow's setback.

PARIS had generally been inactive ahead of Wall Street but then lost 2 per cent quickly before recovering a little in the last few minutes of trading. The CAC-40 index finished the day 21.32 lower at 1,878.17 in turnover of FFr2.4bn.

There was little fresh corporate news to arouse interest. CarnaudMetalbox, which resumed trading after Monday's suspension, closed 6 per cent lower, down FFr12.90 at FFr197.10 while CGIP, a major shareholder, dipped FFr49, or 4 per cent, to FFr1,036.

On Monday MB-Caradon of the UK said that it wanted to dispose of its 25 per cent stake in CarnaudMetalbox and yesterday the stock market regulator said that it had no objection to CGIP raising its stake by 7 per cent without making a full bid.

ZURICH, which was promising a strong performance before Wall Street showed its weakness, came back late on the Dow and the lower dollar to close with the SMI index 14.4 down at 2,130.4.

Multinationals and banks were the chief victims. Nestlé bearers eased SFr15 to SFr1,095 and Brown Boveri by SFr30 to SFr3,930 as CS Holding fell SFr40 to SFr2,130.

The chocolate maker, Lindt & Sprüngli, was active on continuing takeover speculation and the bearers rose SFr600 to SFr17,700.

MADRID took one of the biggest European tumbles on the Wall Street slide, the general index closing 3.25, or 1.4 per cent lower at 233.45. Repsol went down with the market, losing Pta40 to Pta2,800 on the day that it heralded an international institutional placement of its equity as a further step in its privatisiation process.

FRANKFURT refused to consolidate gains seen in London on Monday afternoon, and the DAX index eased by 0.49 to 1,664.22 in turnover up from DM5.6bn to DM7.3bn.

Yesterday afternoon was a different matter, as blue chips reacted individually, rather than en bloc to the slide on Wall Street.

Volkswagen was the most serious casualty, dropping DM6.90 to DM284.10 on the official session following the DB Research downgrade last Friday, and then tumbling again to DM278 in the post-bourse.

AMSTERDAM declined towards the close, the CBS Tendency index falling 0.8 to 98.3. Royal Dutch lost Fl 2.10 to Fl 152.30 as the Opec meeting remained stalled while Océ-van der Grinten fell Fl 2.40 to Fl 41.00 on a 13 per cent decline in its 1991/1992 earnings.

Elsewhere Akzo shed Fl 1.00 to Fl 149.20 and Unilever was Fl 2.20 weaker at Fl 195.00.

DUBLIN, with the latest close in Europe, reflected renewed sickness in the Dow at Wall Street's midsession with the ISEQ overall index 24.32, or 1.9 per cent lower at 1,277.68.

BRUSSELS weakened with Petrofina giving up some of the gains it has made over the last six sessions. The Bel-20 index closed 3.48 lower at 1,207.57 in turnover of BFr573m as Petrofina shed BFr40 to BFr7,980.

MILAN again featured Fiat on a day which saw mild profit-taking. Fiat, continuing to deny reports that it might be considering reorganisation plans or the sale of some of its assets, fixed L141 lower at L5,099 before L5,075 on the kerb.

But the group's chemicals division, Snia, attracted interest, gaining L65 to L1,130 before rising to L1,150 on the kerb. The Comit index eased 0.02 to 500.27 on the first day of the new account.

STOCKHOLM, which extended the session by 90 minutes following earlier technical problems, was strong in banks on hopes that proposed accounting rule changes would benefit the sector. Handelsbanken B shares gained SKr2.50 to SKr53.00 and S-E Banken rose SKr2.50 to SKr14.50. The Affärsvärlden general index rose a modest 0.9 to 984.6 in turnover of SKr724m.

Skandia went against the trend, falling SKr8 to SKr109 after announcing that it would pass its 1992 dividend.

VIENNA rose on the day with a gain in the ATX index of 13.85 to 815.18. Lenzig was one of the best performers, rising Sch16 to Sch570.

ATHENS, once again, seemed to acknowledge that some of its recent enthusiasm had been misplaced, the general index dropping another 15.46 to 776.75. This left it 12 per cent down from last week's 1993 peak, but still registering a gain of over 15 per cent on the year so far.

FT-SE Actuaries Share Indices

February 16 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1130.07	1127.57	1127.57	1128.13	1128.11	1127.44	1125.09	1123.14
FT-SE Eurotrack 200	1182.17	1180.24	1179.73	1183.20	1182.33	1182.27	1179.83	1179.54

	Feb 15	Feb 12	Feb 11	Feb 10	Feb 9
FT-SE Eurotrack 100	1132.97	1129.97	1126.71	1121.50	1124.14
FT-SE Eurotrack 200	1184.15	1181.05	1175.45	1171.08	1177.40

Base value 1000 (26/10/90) High/day: 100 - 1130.07, 200 - 1183.55 Low/day: 100 - 1122.84 200 - 1177.22.

ASIA PACIFIC

Nikkei average dips below 17,000 on profit-taking

Tokyo

SHARE PRICES lost ground on profit-taking and arbitrage selling and the Nikkei average closed below the 17,000 level, *writes Emiko Terazono in Tokyo*.

The 225-issue average lost 201.67 to end at the day's low of 16,916.32, having risen to a high of 17,172.37 in the morning session, before falling in the afternoon on heavy selling by investment trusts and tokkin, or specified money trusts.

Volume was virtually unchanged at 220m shares, against 214m. Declines led rises by 535 to 330, with 200 issues unchanged. The Topix index of all first section stocks shed 8.43 to 1,292.33, and in London the ISE/Nikkei 50 index eased 1.29 to 1,039.97.

Investment trusts and corporate tokkin funds which were liquidated ahead of the March book closing depressed shares, but buying at lower levels by public funds gave support.

Many investors remained absent ahead of an economic statement from Mr Bill Clinton, the US president, while others were concerned about the implications of a court trial linking Mr Noboru Takeshita, the former prime minister, to dealings involving art transactions.

Electronic issues were lower on profit-taking by foreigners and corporations. European investors were seen taking advantage of the higher yen against European currencies, while tokkin liquidations also depressed high-technology blue chips. Hitachi relinquished Y10 to Y885 and NEC receded Y13 to Y837.

Isuzu Motors, the most active issue of the day, lost Y3 to Y375 on trading by dealers. Other car makers were also weak, with Toyota Motor down Y30 to Y1,350 and Nissan Motor falling Y13 to Y632.

Housing-related shares, which were higher on hopes of a recovery in the condominium market, lost ground on profit-taking. *Daikyo, the leading condominium builder, slipped* Y4 to Y855 and Mitsui Fudosan retreated Y7 to Y978. Vending machine manufacturers firmed on increased demand for smaller vending machines: Fuji Denki Reiki put on Y10 at Y1,820 and Sanden gained Y12 at Y562.

In Osaka, the OSE average eased 4.17 to 18,405.85 in volume of 110m shares. Joshin Denki, an electric appliance retailer, dropped Y110 to Y900 after investigators raided the company's headquarters on allegations that company officials had enlisted gangsters to oust the former president.

Roundup

THERE WERE some impressive performances in the region yesterday.

HONG KONG saw a 75-point gain eroded as investors took profits after the market's recent strong performance on reports of an easing of political tensions between China and Britain. The Hang Seng index closed a net 16.18 up on the day at 6,065.62 in good turnover of HK$4.3bn.

HSBC Holdings again led the actives, but finished flat at HK$63, while Cheung Kong advanced 40 cents to HK$21.40 and Jardine Matheson firmed 75 cents to HK$46.75.

AUSTRALIA began to take the view that the conservative opposition coalition might win next month's federal election and the All Ordinaries index rose 15.6 to 1,612.1 in turnover of some A$309m. Banks led the way, ANZ gaining 6 cents at A$3.30 and Commonwealth Bank 10 cents at A$6.54.

News Corp and TNT rose after denying reports that they were seeking an A$500m loan to fund the international expansion of their jointly owned airline, Ansett Transport Industries. News Corp added 36 cents at A$30.44 and TNT 2 cents at 78 cents.

NEW ZEALAND registered its biggest one-day advance in 19 months, as Telecom climbed 29 cents to NZ$2.83 after announcing that it is to reduce its workforce by some 40 per cent over the next four years. The NZSE-40 index put on 48.95 at 1,621.65, its highest close since August 1990.

SINGAPORE improved on the financial sector as the SES index rising 10.79 to 1,629.36 in turnover of S$217m.

Some shipyard stocks were stronger on reports of new repair contracts, with Far East Levingston Shipbuilding gaining 26 cents at S$3.94.

SEOUL saw a morning rise fail to follow through and the composite index finished a net 5.30 off at 672.22 in turnover of Won361bn. Many analysts expect the market to remain flat until the new government is sworn in on February 25.

TAIWAN declined on profit-taking, with Taiwan Cement easing T$1.50 to T$57, although the financial sector remained firm. The weighted index lost 2.03 to 3,874.73.

MANILA advanced on optimism about oil drilling tests taking place off the south-western island of Palawan. The composite index rose 6.99 to 1,413.08 in combined turnover of 470.5m pesos.

BANGKOK saw weakness in the financial sector as the SET index fell 11.68 to 986.65 in turnover of Bt8.4bn.

Financial First City Investments, suspended from trading since Monday, said it was deferring the repayment of matured deposits. Bangkok Bank, which has said it might help to rescue First City, declined Bt3 to Bt137.

KUALA LUMPUR was lifted by bargain hunting in the afternoon session but the composite index managed a gain of just 0.10 at 635.01.

BOMBAY fell for the fourth trading session, ahead of India's national budget in 10 days' time. The BSE index shed 32.69 to 2,607.51. Selling pressure in KARACHI was fuelled by a proposal to ban insider trading. The KSE 100 index slipped 14.36 to 1,185.20.

Switzerland comes back into favour

William Cochrane reviews European equity turnover in January

European bourses approached the tradition of a new year rally somewhat tentatively this year, with share price declines in France and Germany only barely offset by gains in the UK and Italy. Where there were gains, traders rather than investors seemed in the ascendant, and the effect on equity market activity was generally muted.

January's bourse turnover figures, in aggregate, show a rise of 8 per cent over December, itself only 2.8 per cent lower than in the preceding month. Mr James Cornish of NatWest Securities, which produces the figures, notes that the biggest volume gainer in January was Switzerland, which rose by 70 per cent on the month, back up to a level not seen since early 1990.

Switzerland produced a barely average advance on the month, according to the FT-Actuaries World Indices, which had it 0.66 per cent higher over the four weeks to January 29, against a rise of 0.63 per cent for Europe as a whole.

However, says Mr Cornish, it was the best performer in 1992, a performance based on a strong economy and currency and a certain independence from the strains within the ERM, and foreign investors were on feed. "Swiss share volumes on SEAQ International [London's screen-based trading system for foreign stocks] rose by 46 per cent," he says, "indicating that non-Swiss investors were also busy."

Belgium had a good month, too, with a gain in turnover of 45 per cent reflecting a rise of 5.3 per cent on the month in local currency terms. The country had suffered from the stability of its own currency in the final quarter of 1992, says Mr Geoffrey Taylor of Dillon Read, but the underlying economic disciplines enabled Brussels to get its interest rates down very sharply around the year-end.

This produced a lot of turnover in interest rate-sensitive stocks such as Electrabel; another utility, Tractebel, saw the placing of Petrofina's stake of around 2¾ per cent in mid-January inflate the turnover figures to some extent.

The market also moved, says Mr Taylor, on the strength of the dollar and a strong performance in cyclicals such as Arbed, the Luxembourg steel company, Glaverbel, Solvay and Société Générale de Belgique, whose major industrial holdings are in non-ferrous metals, steel and cement.

Elsewhere, the Netherlands saw a gain of 17 per cent in response, says Mr Cornish, to the market's return to outperformance, with particular help for Royal Dutch from a 3 per cent rise in the crude oil price. The UK was up 10 per cent on the month as it reached new highs on the cut in base rates.

Germany recovered by 11 per cent after a very weak December, but the attraction of the Frankfurt market to institutional investors has been realised this month, following the Bundesbank's cut in key interest rates on February 4.

EUROPEAN EQUITIES TURNOVER
Monthly total in local currencies (bn)

Bourse	Oct 1992	Nov 1992	Dec 1992	Jan 1993	US $bn
Belgium	47.56	43.93	43.35	62.75	1.89
France	108.08	92.39	120.72	106.66	19.58
Germany	98.85	92.20	82.80	91.67	56.97
Italy	17,112.00	24,248.80	14,210.72	13,852.04	9.25
Netherlands	14.00	11.70	12.50	14.60	8.07
Spain	887.70	619.31	790.00	653.20	5.72
Switzerland	11.78	11.80	13.10	22.30	15.00
UK	39.76	39.57	39.05	42.86	63.73

Volumes represent purchases and sales. Italian data adjusted to include off-market trading. Some figures may be revised. Source: NatWest Securities

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY FEBRUARY 15 1993								FRIDAY FEBRUARY 12 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992/93 High	1992/93 Low	Year ago (approx)
Australia (68)	126.35	−0.7	132.11	96.56	108.98	124.13	−0.6	3.92	127.30	133.10	97.21	110.03	124.85	153.68	108.18	144.57
Austria (18)	141.46	+0.0	147.91	108.11	122.02	121.91	+0.9	1.84	141.45	147.89	108.01	122.26	120.76	186.70	131.18	186.70
Belgium (42)	139.32	−0.1	145.67	106.47	120.17	117.51	+0.0	5.14	139.48	145.83	106.50	120.55	117.46	152.27	131.19	139.21
Canada (113)	119.29	+0.0	124.73	91.16	102.88	108.28	−0.2	3.04	119.32	124.75	91.11	103.12	108.47	142.12	111.36	135.51
Denmark (33)	205.08	+0.9	214.43	156.73	176.89	177.33	+0.7	1.54	203.31	212.57	155.25	175.73	176.07	273.94	181.70	252.56
Finland (23)	68.47	−1.8	71.59	52.33	59.06	85.00	−1.1	1.69	69.74	72.91	53.25	60.28	85.91	89.80	52.64	87.55
France (98)	150.00	−0.2	156.83	114.63	129.36	132.00	−0.4	3.40	150.25	157.10	114.72	129.86	132.52	168.75	136.93	150.09
Germany (62)	110.25	+0.5	115.27	84.27	95.09	95.09	+0.3	2.40	109.73	114.73	83.80	94.84	94.84	129.69	101.59	117.62
Hong Kong (55)	242.31	+3.4	253.35	185.18	209.01	240.60	+3.4	3.75	234.46	245.14	179.05	202.66	232.79	262.28	176.35	196.17
Ireland (16)	130.32	+0.8	136.26	99.60	112.40	125.09	+0.7	4.25	129.28	135.17	98.72	111.74	124.22	173.71	122.98	166.07
Italy (76)	59.66	+1.1	62.38	45.59	51.46	69.12	+1.5	3.01	59.01	61.69	45.05	51.00	68.13	80.86	47.47	75.53
Japan (472)	107.99	+1.0	112.91	82.53	93.15	82.53	+1.0	1.01	106.97	111.84	81.68	92.47	81.68	140.95	87.27	120.95
Malaysia (69)	270.36	+0.0	282.68	206.61	233.18	274.16	+0.0	2.44	270.48	282.80	206.53	233.78	274.18	282.42	212.49	241.76
Mexico (18)	1549.31	−1.2	1619.88	1184.02	1336.29	5243.56	−1.3	1.14	1568.57	1640.02	1197.75	1355.76	5313.90	1789.77	1185.84	1648.24
Netherland (25)	155.60	+0.2	162.69	118.91	134.21	132.63	+0.0	4.29	155.34	162.42	118.62	134.27	132.65	169.70	147.88	150.91
New Zealand (13)	43.91	−1.2	45.91	33.56	37.88	45.49	−1.0	4.81	44.44	46.47	33.94	38.42	45.97	48.52	37.39	45.35
Norway (22)	141.75	−1.0	148.20	108.33	122.26	135.69	−1.0	1.84	143.12	149.64	109.29	123.71	137.05	192.95	128.05	170.21
Singapore (38)	217.57	+0.2	227.48	166.27	187.65	165.33	+0.3	1.99	217.15	227.04	165.82	187.69	164.91	228.63	179.65	217.59
South Africa (60)	167.42	−3.8	175.05	127.95	144.40	167.23	−0.6	3.02	173.97	181.89	132.84	150.36	168.26	263.60	134.21	230.30
Spain (47)	126.63	+0.1	132.40	96.78	109.22	113.73	+0.0	5.35	126.51	132.28	96.61	109.35	113.67	161.72	107.10	156.90
Sweden (36)	162.40	−0.1	169.80	124.12	140.08	180.86	−0.1	2.27	162.62	170.02	124.18	140.56	181.03	200.28	149.69	176.76
Switzerland (56)	111.24	+0.2	116.30	85.02	95.95	106.31	+0.3	2.01	111.03	116.09	84.79	95.98	106.04	122.37	95.99	99.32
United Kingdom (226)	162.69	+0.2	170.10	124.32	140.31	170.10	+0.2	4.38	162.44	169.84	124.02	140.39	169.83	200.07	161.88	179.68
USA (522)	181.65	+0.0	189.93	138.83	156.68	181.65	+0.0	2.78	181.65	189.93	138.71	157.01	181.65	183.74	160.92	168.35
Europe (780)	135.43	+0.2	141.60	103.50	116.82	130.11	+0.1	3.62	135.18	141.34	103.23	116.85	129.82	156.86	131.31	145.37
Nordic (114)	150.09	−0.1	156.93	114.71	129.46	148.06	+0.0	2.01	150.20	157.04	114.70	129.83	148.11	188.52	141.24	176.84
Pacific Basin (715)	113.07	+1.0	118.22	86.42	97.53	88.67	+1.0	1.34	112.00	117.10	85.52	96.80	87.75	141.97	93.70	124.08
Euro – Pacific (1495)	122.10	+0.6	127.67	93.31	105.31	105.12	+0.6	2.37	121.36	126.89	92.67	104.89	104.45	145.21	113.80	132.88
North America (635)	177.78	+0.0	185.88	135.88	153.37	176.68	+0.0	2.79	177.78	185.88	135.77	153.69	176.89	179.56	158.70	186.27
Europe Ex. UK (554)	118.23	+0.2	123.61	90.37	101.99	107.89	+0.1	3.12	117.99	123.36	90.11	102.00	107.75	132.98	111.33	124.55
Pacific Ex. Japan (243)	162.99	+1.0	170.41	124.58	140.59	151.98	+1.1	3.51	161.35	168.70	123.22	139.47	150.34	175.31	146.06	155.02
World Ex. US (1686)	123.38	+0.5	129.00	94.30	106.42	107.16	+0.6	2.39	122.77	128.36	93.75	106.12	106.55	146.91	115.99	135.00
World Ex. UK (1982)	140.08	+0.3	146.46	107.06	120.83	126.12	+0.3	2.36	139.66	146.03	106.65	120.73	125.68	150.58	127.21	141.95
World Ex. So. Af. (2148)	141.98	+0.3	148.46	108.53	122.48	129.64	+0.3	2.55	141.54	147.98	108.09	122.34	129.21	153.05	130.04	144.70
World Ex. Japan (1736)	161.41	+0.1	168.76	123.36	139.24	157.77	+0.1	3.09	161.31	168.66	123.19	139.45	157.64	165.40	151.93	159.42
The World Index (2206)	142.07	+0.3	148.54	108.57	122.54	130.00	+0.3	2.56	141.66	148.12	108.18	122.45	129.58	153.70	130.66	145.23

US market closed February 15. Latest prices were unavailable for this edition.